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CHARLES J. GIVENS

February 9, 1996

Lawrence M. Noble, Esq.
General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

MUR 4305

MB 2/13/96
FEC

RE: Complaint Against Malcolm S. "Steve" Forbes, Jr.
and Forbes, Inc.

Dear Mr. Noble:

Malcolm S. "Steve" Forbes, Jr., and Forbes, Inc. have violated and continue to violate several provisions of the Federal Election Campaign Act ("the Act"), and the regulations thereunder, by publishing editorials in Forbes Magazine and in fourteen New Jersey newspapers that promote Mr. Forbes' candidacy for federal office.

Mr. Forbes declared his candidacy for the Republican nomination for President of the United States on September 22, 1995. Mr. Forbes is also the editor-in-chief of Forbes Magazine, a bi-monthly business magazine published by Forbes, Inc. with a national and international circulation of more than 770,000 readers. Forbes, Inc. is a privately held company controlled by Mr. Forbes. Mr. Forbes has exercised his direct and indirect control over Forbes Magazine to author and publish editorials on a regular basis that advance his candidacy for federal office.

As the enclosed editorials demonstrate, Mr. Forbes has used and continues to use Forbes Magazine editorials, at no cost to his campaign committee, to test the waters of public opinion for his political ideas, to communicate information about himself and his political beliefs to thousands of potential voters, and to promote the central themes of his presidential campaign. Moreover, Mr. Forbes has increased the dissemination of these political communications by republishing each editorial in fourteen Forbes, Inc. newspapers in New Jersey with total circulation of approximately 56,000 readers. At no time has Mr. Forbes' political campaign committee reimbursed Forbes Magazine, Forbes, Inc., or the New Jersey newspapers for the cost of publishing editorials that support his campaign, nor has Mr. Forbes' committee reported any contributions or expenditures relating to these editorials.

Since Mr. Forbes announced his candidacy, he has authored and published at least ten editorials addressing issues discussed by the candidates in this election cycle. Some of these editorials refer specifically to central themes of Mr. Forbes' own campaign. For example, Mr. Forbes has repeatedly used Forbes Magazine to promote his central campaign theme, the flat tax. In his October 16,

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1995 "Facts and Comments" editorial, Mr. Forbes wrote: "The way to get the economy growing as it should is to enact the flat tax. That won't happen until the next election." One week later, in the October 23, 1995 "Facts and Comments," Mr. Forbes wrote:

The answer is to junk the current code and enact the flat tax. The resulting simplicity would enormously increase compliance, would remove the major sources of political corruption in Washington, would set off an economic boom because people could keep more of each dollar they earned, and would eliminate barriers to job-creating investments.

Mr. Forbes has also used editorials in Forbes Magazine to promote his positions on return to the gold standard ("Facts and Comments," Forbes Magazine (Nov. 20, 1995)), abortion ("Facts and Comments," Forbes Magazine (Dec. 18, 1996)), United States involvement in Bosnia ("Facts and Comments," Forbes Magazine (Nov. 6, 1995)), and federal term limits ("Facts and Comments," Forbes Magazine (Sept. 25, 1995)). Forbes' editorials consistently echo and expand upon Forbes' campaign positions. See enclosed campaign statements: "Steve Forbes' Presidential Announcement," National Press Club (Sept. 22, 1995) (flat tax, gold standard, term limits); AP Worldstream (Nov. 24, 1995) (gold standard); "Forbes' Political Message Takes Hold," The Arizona Republic (Dec. 23, 1995) (abortion); November 22, 1995 Press Release (Bosnia).

The Forbes Magazine editorials clearly constitute both impermissible corporate contributions to a federal candidate and expenditures for the purpose of influencing a federal election under the Act. 2 U.S.C. §§ 431(8)(A)(I) and 431(9)(A)(I); 11CFR § 100.7(a)(1) and § 100.8(a)(1). In AO 1990-5 the Commission addressed a similar question in connection with a narrowly circulated newsletter published by a congressional candidate. The Commission established three factors that compel the conclusion that the Forbes editorials are contributions and expenditures under the Act:

- (1) direct or indirect reference is made to the candidacy, campaign or qualifications for public office of (the candidate) or (the candidate's) opponent;
- (2) articles or editorials are published referring to (the candidate's) views on public policy issues, or those of (the candidate's) opponent, or referring to issues raised in the campaign, whether written by (the candidate) or anyone else;
- or (3) distribution of the newsletter is expanded...in a manner that indicates utilization of the newspaper as a campaign communication.

Id. at 7. By testing political ideas and repeating campaign rhetoric in his editorials, Mr. Forbes has clearly made direct reference to and promoted his candidacy. As the Commission has indicated, "presentation of policy issues or opinions closely associated with (the candidate) or (the candidate's) campaign,

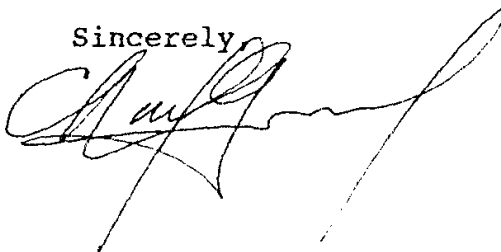
would be inevitably perceived by readers as promoting (the candidate's) candidacy, and viewed by the Commission as election-related and subject to the Act." *Id.* at 6. In addition, the large national distribution of Forbes Magazine, augmented in Mr. Forbes' home state by fourteen newspapers, is the ideal campaign tool for a presidential candidate. Under the above factors outlined in AO 1990-5, Forbes' editorial columns published since his announcement are both impermissible corporate contributions to and expenditures made on behalf of Forbes' campaign.

Consequently, Mr. Forbes, and Forbes, Inc., have violated several provisions of the Act:

1. Forbes, Inc., has made, and Mr. Forbes has accepted, prohibited corporate contributions in violation of 2 U.S.C. § 441 b(a).
2. Mr. Forbes' registered political committee has not disclosed contributions received and expenditures made by Forbes, Inc., to advance Mr. Forbes' candidacy for federal office in violation of 2 U.S.C. § 434.
3. Mr. Forbes' campaign committee has failed to place appropriate disclaimers on Forbes Magazine editorials in violation of 2 U.S.C. § 441d.

Because Mr. Forbes has published a political editorial in every Forbes Magazine since he announced his candidacy, it appears that these violations will continue throughout the election cycle unless and until the Commission considers this matter. The violations are likely to have a major impact on upcoming Republican primary elections due to the potentially large monetary amount of impermissible corporate contributions. Accordingly, we request that the Commission take immediate steps to enjoin Mr. Forbes' continuing violations pending a full investigation and that the Commission assess appropriate penalties to redress these violations in an expedited manner.


Sincerely,



CJG/ngr

Enclosures

Sworn to and subscribed before me
this 9th day of February, 1996:



Notary Public



BARBARA ELLEN KOHL
My Commission CC365044
Expires Mar. 15, 1998
Bonded by HAI
800-422-1555

"With all thy getting get understanding"

Fact and Comment

By Malcolm S. Forbes Jr., *Editor-in-Chief*



GET RID OF THIS BURDEN

HERE'S A WAY TO STIMULATE the economy: Congress should repeal the Humphrey-Hawkins Act. This legislation, passed in the late 1970s, mandates that the Federal Reserve attempt to achieve all sorts of desirable goals—full employment, productivity, a balanced budget, stable prices. This law is an example of the highest order of hubris—that a government agency can decree prosperity.

Senator Connie Mack (R-Fla.), chairman of the Joint Economic Committee, wants to replace the misnamed Full Employment and Balanced Growth Act of 1978 with the Economic Growth and Price Stability Act of 1995. Its mandate: to have the Fed concentrate on achieving price stability. Senator Mack rightly recognizes that such stability would sharply lower interest rates, which would be a boon to us all. When the Fed, or any other central bank, tries to fine-tune the economy, the results are uniformly bad. In pre-Thatcher Britain, for instance, the Sceptered Isle was repeatedly wracked by periods of printing-press prosperity followed by ever-deeper recessions. The U.S. went through the same thing in the 1970s.

Mack understands that other government policies, such as lowering tax rates and lessening regulations, are also critical in creating conditions for prosperity. The missing ingredient in the Mack bill is a provision spelling

out how the Fed can achieve a sound dollar—not by holding the economy back but by using the gold price as a compass. When Chairman Greenspan does this from time to time, the results are good. In the past year, there has been little fluctuation in the price of the yellow metal, and long-term interest rates have plunged from 8% to 6%.

The gold ingredient is critical. One of the heaviest deadweights on the American economy today is the pernicious notion that prosperity causes inflation. The idea that there is a tradeoff between inflation and unemployment—if you want less of one, you have to get more of the other—is pervasive among policymakers. Federal Reserve economists believe the economy can't constructively grow more than 2.5% a year. Republicans and Democrats implicitly accept these pessimistic constraints.

The theory is nonsense. America grew rapidly in the 1980s while inflation fell by more than two-thirds. Benighted believers fail to make the distinction between price changes that are a result of supply and demand and price changes that result from debasing the currency.

The Mack bill, with a gold proviso, would enormously expand opportunity. We would get the type of money that we haven't had in 30 years—4.25% mortgage rates and 3.5% Treasury bonds.



Connie Mack: Undoing a mischievous bill.

THAT COMMUNIST TRIUMPH

in Russia's parliamentary elections last month was the latest, most ominous bitter fruit of our misbegotten policies for the nations of the former Soviet Empire.

The Bolsheviks' systematic destruction of civic life was bound to make any post-totalitarian transition extremely difficult in the best of circumstances. But the horrific inflation that has afflicted Russia and most neighboring lands has played a huge role in moving millions of voters to cast nostalgic glances at the old Red guard.

Periods of great inflation always undermine a sense of justice and of law and order. Just look at how major

made Imperial Russia, the Weimar Republic (Germany) and Nationalist China ripe for totalitarian takeovers.

The reduction of the ruble to rubble over the past five years has wiped out the savings of tens of millions of ordinary Russians while impoverishing millions of pensioners. True, many Russians are beginning to enjoy a more affluent, middle-class life, but their numbers are no match for those who feel they have lost ground since the fall of the Berlin Wall.

The U.S. and our allies did nothing to effectively show Moscow how to stabilize the ruble. In fact, the toxic nostrums of the International Monetary Fund perversely hastened



Gennadi Zyuganov: Hyperinflation produces poisonous political personages.

the ruble's plunge to wallpaper status.

What could have been done? One measure would have been to establish a currency board like those the Baltic states and Argentina have instituted to give value to their own money. No local currency is issued unless it is backed by sound monies, such as the dollar, or by gold.

A more likely solution would have been for Russia to employ a modernized version of that pioneered by Alexander Hamilton 200 years ago, when the dollar suffered ruble-like status. Hamilton pegged the dollar to gold and issued bonds. What gave creditors faith in these instruments

were the immense land holdings of the U.S. government and the receipts pledged from sales of that land to back the bonds, as well as revenues from tariffs and excise taxes. Even today, despite a massive, corruption-laden privatization program, the Kremlin still owns assets worth hundreds of billions of dollars that could be used as collateral.

What's to be done now? Give forceful, Hamilton-like advice to Ukraine, Armenia, Georgia and other entities that were once a part of the Soviet Union and wish to remain independent—not to mention to former satellites such as Poland and Hungary.

AVOIDING A DEADLY DISASTER

ONE OF THE 20TH CENTURY'S most ghastly horrors took place during the spring and summer of 1994 in Rwanda. In the space of 100 days, the majority Hutu tribe slaughtered some 500,000 Tutsis, a minority group. About half of the Tutsi population perished, mostly at the hands of machete-wielding Hutus. While the Rwandan government is suspected of having long planned the extermination, much of the killing was carried out not by SS-like bands of trained murderers but by countless civilians—neighbors, teachers, priests, doctors. The genocide ceased only when a Tutsi rebel group of exiles from nearby Uganda invaded, routing the Rwandan army. The rebel triumph sent millions of Hutus fleeing into neighboring lands.

Diplomats fear that the resulting instability wrought by refugee camps filled with millions dreaming of revenge will soon ignite a regional war that could consume an even greater number of lives than were lost nearly two years ago.

The only way to bank this seething cauldron of red-hot hate is to effect a formal partition, separating the Tutsis and the Hutus. Each tribe would have its own country carved out of the existing states of Rwanda and Burundi (where Hutus and Tutsis have also literally been at each other's throats for decades).

It would be fitting for the French to take the lead here, as it was their diplomacy that allegedly helped trigger the horrors of 1994. Behind the scenes, the U.S. could nudge the U.N., which shares culpability, into a face-saving role. When the genocide began, the U.N. voted to *reduce* the handful of peacekeepers stationed there. Observers believe a few thousand *additional* troops could have put a stop to the genocide quickly. The Clinton Administration is not guilt-free, either. As the killings were taking place, the White House refused to brand these acts as genocide.

Fast action is imperative lest rivers of blood flow again.

WE STILL PINE FOR THOSE RHYME SIGNS



IF NOSTALGIA CAN EVER RESURRECT a long-dead product, Burma-Shave is the *most* likely resurrectee.

A small Virginia company is reintroducing this legendary shaving cream. What gives the product the chance to live again commercially (the record for reviving dormant consumer goods is miserable) is the legendary red Burma-Shave road signs remembered by most Americans over the age of 40. Each set of six had

a rhyme that always ended with the words Burma-Shave.

Years ago, riding each summer from New Jersey to Wyoming and back in a station wagon, my parents, siblings and I delighted in reading these humorous verses. For decades they were an American roadside fixture, nearly the only good thing about those narrow, two-lane roads motorists had to travel to cross much of the continent before the advent of the Interstate highway system.

UNROMANTIC LIFE

Men-of-War: Life in Nelson's Navy—by Patrick O'Brian (W. W. Norton & Co., \$23). Short, descriptive panorama of British naval life during the Napoleonic wars. Richly illustrated with informative captions. Landlubbers will be a bit overwhelmed by some of the jargon. Best parts are portrayals of how sailors operated the ships' guns during battle and of how stomach-curdling the food was that seamen had to survive on. The sailing vessels of that era are magnificent to behold; life on them, however, was anything but. The advantage the British had over their French and Spanish foes was not superior technology but vastly greater experience in operating at sea. His Majesty's ships spent sig-

nificantly less time in port than did those of the enemy.

Excerpt: Food was usually so bad that when they could catch them, the men often ate rats. Admiral Raigersfeld, looking back on his youth, says, "They were full as good as rabbits, although not so large." Speaking of the bread he observes, "When you tipped the biscuit upon the table, it almost fell into dust, and thereout numerous insects, called weevils, crawled; they were bitter to the taste. If instead of the weevils, large white maggots with black heads made their appearance, then the biscuit was considered to be only in its first state of decay; these maggots were fat and cold to the taste, but not bitter."



"With all thy getting get understanding"

Fact and Comment

By Malcolm S. Forbes Jr., *Editor-in-Chief*



SO-SO '96

THE SLUGGISH PACE of the U.S. economy will continue in 1996. Consumers are indeed heavily in credit card debt. Retail and auto sales will not be stellar. Business investment has had a fabulous four-year period of impressive growth. That pace, too, will slacken. The Federal Reserve has kept short-term interest rates too high for too long in the mistaken belief that vigorous growth will ignite inflation. Congress' failure to enact a sweeping deregulatory bill and to promote widespread tort reform will also be a burden. The stock market will be unimpressive until after the election. In the meantime, short-term interest rates will decline.

To the south, Latin America is ready for a Pacific Rim-like boom, but it remains hobbled by bad economic thinking. Mexico, for example, still can't decide whether

it should shore up the peso. Unless it does, its depression will deepen.

Elsewhere in the world, Western Europe continues to be hobbled by excessive, antigrowth labor laws and taxes. Japan is only beginning to recover from a devastating deflation. China remains a question mark because of poor monetary policy and uncertainty about how reforms will fare in the post-Deng era. India faces critical elections that will determine whether its initial free-market reforms can survive a hypernationalistic counteroffensive. Russia, as usual, remains a mystery wrapped in an enigma.

The U.S.' fundamental strengths are real. The faster we remove the fiscal, monetary and regulatory barriers to realizing our full potential, the faster we will astound ourselves and the world with our opportunities and achievements.

WHERE'S THE GROWTH?

FRANCE HAS BEEN braving strikes to cut its deficit and to trim a bloated, insolvent social welfare system. But the approach lacks the most critical elements needed to get France growing again: slashing punitive payroll and income taxes and removing job-killing labor regulations.

Worse yet, France is raising exactions instead of reducing them. If progrowth reforms were implemented, government revenue would increase, political support for the difficult changes ahead would be won and the country's double-digit unemployment would be cut.

NECESSARY INSURANCE

REGARDLESS OF WHAT HAPPENS in Bosnia, we must resist pulling back our permanently stationed troops in Europe and Asia. Budgetary problems at home, combined with a growing who-needs-them-now mood among voters in Western Europe and Asia are creating pressures to reduce and eventually eliminate a meaningful American military presence overseas. Such a move would be a disaster.

Only the U.S. can play a stabilizing role around the world and prevent a destructive resurfacing of past Big Power rivalries. In a 1984 interview German Chancellor Helmut Kohl told FORBES, in effect, "Don't leave Europe to its own devices. Look at what has happened in this century." This advice is still sound. Clearly, European nations could not cope

with the Bosnian crisis. Who knows what may yet develop in Russia?

For that matter, what direction will China take? Its military buildup continues. If the U.S. were to withdraw from Asia, then Japan—and perhaps even Russia—might feel forced to increase its armaments in self-defense. Japanese rearmament would send tremors through other Asian nations. Despite the Marine rape scandal in Okinawa, Asian leaders badly want the U.S. presence to continue.

Real U.S. defense spending has been declining since the mid-1980s. While our stationing troops overseas is a burden, the cost is a fraction of what it would be if a major conflict or arms race were to erupt in Europe or Asia.



Marines training in Okinawa:
Locals may resent them, but leaders want them.

CASTRO IS NO DENG

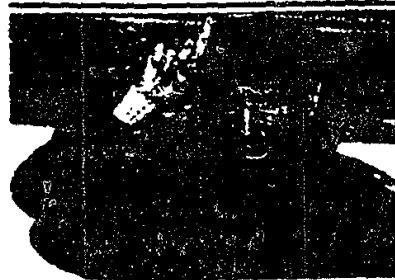
CUBA WILL NOT GO the way of China or Vietnam as long as Fidel Castro remains in power. His hatred of capitalism and of individual opportunity and autonomy remains fixed. He won't set the kind of fundamental reforms in motion that Deng Xiaoping did in China in the late 1970s—reforms that have made that nation the fastest growing in the world.

Every reform Castro has made since his Soviet subsidies disappeared has been undermined or reduced to insignificance. Foreign investors, for instance, can bring in their capital, but they are restricted in hiring and firing workers. The government

decides who is eligible for the jobs, only approving those workers with politically correct credentials. You can be self-employed, but the government imposes horrific rules and regulations.

Any change Castro permits is designed to keep his regime in power, to generate enough revenue to buy off those who might turn on him, principally the army. He would never approve of free-enterprise zones like those that are turning China into an economic beehive.

Only when this murderous, aging autocrat is finally ousted will the Cuban people and economy finally blossom.



Still prefers his socialism straight: "Reforms" opportunistic, tactical, temporary.

BIG APPLE'S BIG ASSAULT

CRIME-FIGHTING EXPERTS are pooh-poohing the extraordinary achievements of New York City's Police Commissioner William Bratton. Since taking office nearly two years ago, Bratton has, with the full support of his boss, Mayor Rudolph Giuliani, brilliantly reorganized the New York Police Department and taken an aggressive, proactive approach to curbing crime. The results have been spectacular. Gotham's murder rate has dropped nearly 40%, robberies 30%. Felony assaults, burglaries and auto thefts have also experienced double-digit declines.

No other American city can match this record.

Yet many criminologists have been loath to give Bratton his due because his activist approach has confounded their theories that little could be done to reduce crime rates. It's true that the decline in crack use and the decrease in drug turf wars have both helped. But these

forces are at work in other major cities whose records are no match for New York's.

What did Commissioner Bratton do? He remodeled the NYPD so that there is genuine coordination and cooperation among foot patrols, the narcotics division and the Department's detectives. He also instituted strategies that quickly channeled police resources to high-crime areas. The police took an aggressive approach in fighting graffiti,

petty vandalism, public drinking and other disorders in the belief that small crimes set the stage for more serious crimes as a neighborhood deteriorates. Police officers were also encouraged to make more narcotics and gun arrests. Gangs are no longer allowed to control neighborhoods, as has tragically happened elsewhere.

Other cities can learn from New York's example.

The Commissioner vs. the Criminologists

Bratton Spars With Academics on Crime's Decline in New York

—New York Times

THIS DEMOCRAT HAS IT RIGHT

Values Matter Most—by Ben J. Wattenberg (The Free Press, \$25). Well-researched, well-thought-out examination of, and prescriptions for, four critical, controversial problems: crime, welfare, education and affirmative action. This Democrat is far more "conservative" than his Party in his commonsensical, back-to-basics approach. Crime: Incarceration works. Education: Develop real standards, with no more "feel-good" curriculums; restore discipline. Welfare: Stop subsidizing out-of-wedlock births; let states have a real part in constructing and running their programs. Affirmative action: Quietly, coolly phase it out.

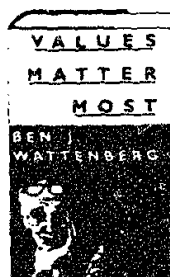
Excerpt: *The root causes of [our social] issues can be tracked back to liberal ideas about American guilt and American victims. These ideas yielded a liberal politics, which yielded liberal policies, and liberal government, all of which helped erect the something-for-nothing state.*

What government has caused, government can cure.

What liberals have caused, conservatives can cure. What liberals have caused, liberals can cure if they see the error of their ways. Liberals may have acted with the BOI (best of intentions), but their remedies were subject to the LUSE (Law of Unintended Side Effects).

Excerpt: *I believe that, with all our problems, the cause we Americans promote today is still the best around: democracy, individualism, pluralism, and markets. We offer that American Plan freely and often with gusto. [But] only if America moves smartly ahead, if we deal with our linked social issues, will there continue to be a democratic model for the world. There is an apparent paradox. The most exciting thing in the world today is the spread of American values. And consequently, the most troubling thing in the world today is the*

erosion of American values, in America. I hope—and think—that the old American way of life, surely adjusted for modern times, will prevail again in America. I know this: If America falters, the world is in trouble.



"With all thy getting get understanding"

Fact and Comment

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THE STUNNING DEFEAT

of Poland's President Lech Walesa by a neo-communist, Aleksander Kwasniewski, is another reaping of the whirlwind sown by wrongheaded Western economic advice foisted on former communist nations. Dubbed shock therapy, these policies recommended by the U.S., the IMF and others for newly liberated nations of the former Soviet Empire were supposed to bring about a sudden transformation to a vibrant free-market economy. Subsidies would end; government-owned entities would be hastily privatized; taxes would stay high so budgets could be balanced; credit would be tightened to curb inflation.

While the goals were laudable, the results were appalling. Rapidly rising unemployment put a quick end to the notion of eliminating subsidies. In Russia, hasty privatization turned into a corruption feast for old-line communist officials who rigged the process so they could acquire assets cheaply. High taxes forced many entrepreneurs into the informal economy (in Poland, payroll taxes approached 70%). Tight credit put an enormous burden on new businesses. Incredibly, while interest rates were made high, money was pumped into dinosaur industries to preserve employment; thus many of these countries experienced hyperinflation.

The Chinese did it better economically. They established free-enterprise zones, attracting massive foreign investment and energetic local entrepreneurs. While privatization occurred at a much slower pace, China did allow new entities to compete with state-owned companies, whose bloated

cost structures made them easy targets. China's tax structure is not punitive, so growth has been in double-digits. Inflation—high by Western standards—has never exceeded, in its worst years, the monthly rates Russians experienced routinely. People's savings in China have not been destroyed, as they were in Poland, Russia and elsewhere.

Former Red lands could have had less painful transitions had they been urged to follow a few sensible policies:

- **Curb inflation.** The Baltic states are now doing this with currency boards. Russia could have achieved the same goal by fixing the ruble's value to the dollar and by selling dollar-denominated bonds backed by government-owned assets for rubles. This would have soaked up excessive credit.

- **Slash or scrap taxes, tariffs, numerous licenses and restrictions.**

Again, the Baltic states have demonstrated that reasonable tax rates fatten budget receipts.

- **Respect property rights.** Russia's capricious, ever-changing rules governing foreign investment have severely damaged the inflow of capital while making local entrepreneurs prey to powerful mafia-like gangs.

- **Stop bureaucratic interference in the setting-up and running of private businesses.** In too many countries, entrepreneurs have to go through mazes of red tape to legally establish their businesses.

Democratic forces are on the defensive in Russia because of unnecessary economic distress.

The U.S. and its allies blew it here, big time.



Walesa (r.) and opponent Kwasniewski. Shock therapy gives old Red guard new life.

BAN THIS BARBARIC SURGERY

THE U.S. Senate should be ashamed for not passing the Smith bill outlawing a late-pregnancy procedure known as partial-birth abortion. In this hideous operation, the baby's live body, except the head, is eased red. While the head is still in the birth canal, the abortionist undertakes an unconscionable act, collapsing the skull and destroying the brain. Tragically, many partial-birth abortions are elective—with no medical necessity for them.

The House of Representatives overwhelm-



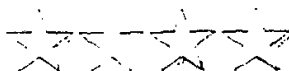
Senator Bob Smith (R-N.H.)

ingly passed a similar measure. Several senators blocked a Senate vote, ostensibly for hearings but more likely to kill the bill by delay. Carefully crafted by physicians, the bill makes no reference to other late-term abortion procedures.

Morally, there is no justification for what might be called a hospital divided: In one room doctors struggle (with increasing success) to save premature babies who have been in the womb for as little as 24 weeks. In another room physicians are at work to end pregnancies of similar duration.

The Forbes 1995 All-Star Eateries in New York

This year's winners once again come from the digested wisdom of brothers Bob, Kip and Tim, and two other Forbes colleagues, Jeff Cunningham and Tom Jones.



Aureole
Chanterelle
The Four Seasons
La Caravelle

La Côte Basque
La Grenouille
Le Cirque
Le Régence

Lespinasse
March
Parioli Romanissimo
'21' Club

Changes in the firmament: Bouley is being dropped, as it is closing next July. The Four Seasons' Tom Margittai and Paul Kovi have successfully passed the managerial mantle to Alex von Bidder and Julian Niccolini. La Caravelle, famous

for its soufflés—and justifiably so. Lutèce, a standard Four Star-er, is on standby until its new chef, Eberhard Müller, shows he can fill André Soltner's apron. An American classic, '21' Club deserves recognition as the best of its kind.



Arcadia
Fifty-Seven, Fifty-Seven
Gotham Bar & Grill
Gramercy Tavern
Il Cantinori
Il Mulino
La Réserve

Le Bernardin
Les Célébrités
Montrachet
Nippon
Nobu
Oceana
Palio

Peter Luger Steak House
Restaurant Daniel
Seryna
Shun Lee Palace
Sparks Steak House
West 63rd Street Steakhouse

Gramercy Tavern—just what American cuisine was meant to be. Il Cantinori—closest thing to Tuscany without leaving the country. The original Nippon (East 52nd St.) continues to produce superb traditional Japanese fare. Nobu, a newcomer, has delicious food, but its reserva-

tions system needs polishing. Oceana serves snappy seafood, killer desserts. Palio—first-rate risotto. Steak reigns supreme at Peter Luger's, followed closely by Sparks and West 63rd Street steakhouses. Restaurant Daniel's food is Four Star, but its service precludes a move up.

Special



Aquavit—super Scandinavian; Café des Artistes—was it the food or Howard Chandler Christy's nubile nymphs that brought Bill Clinton here to dinner; Café de Bruxelles—great fries and beer; Café Nicholson—romance galore; Chez Joséphine—it's a party; Chin Chin—some of the most innovative Chinese food around; City Crab and Seafood Co.—cleverly cooked crustaceans; Dial-a-Dinner—take-out service from a number of fine New York restaurants; Etats-Unis—tiny storefront, imaginative cuisine; Harley Davidson Café—burgers, BBQ and one of MSF's big bikes; Harry Cipriani—fabulous Italian; Lola—festive and fun; Mad. 61—a feast for the palate and the eyes; Mesa Grill—inspired Southwestern; Mi Cocina—sensational South-

of-the-Border dishes; Mortimer's—tasty people-watching; Museum Café—nice food after a field trip to the Museum of Natural History; Periyali—great Greek; Petrossian—the ideal place to toast an anniversary, a birthday or the beginning of a love affair; The Rainbow Room—an old favorite; Rosa Mexicano—the real thing; The Royal Canadian Pancake House—high-cholesterol heaven; Second Avenue Kosher Deli—best corned beef in town; Serendipity 3—fantastic fantasies for the sweet tooth; Silk—the meld of French and Pacific Rim works beautifully; Sylvia's Restaurant—food for the soul; The Terrace—beautiful view and romantic setting make trip uptown well worth it; Turkish Kitchen and Uskudar—terrific Turkish treats; Zarela—marvelous Mexican.

"With all thy getting get understanding"

Fact and Comment

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WILL MEXICO STEP BACK FROM THE CLIFF'S EDGE?

MEXICO'S ECONOMIC CRISIS is worsening. Against the expectations of the Mexican government and the Clinton Administration, the peso has been sliding. Mexican interest rates are going up, which will deepen and prolong that country's savage recession. Recently, the Bank of Mexico, finally, forcefully intervened to shore up the peso. Will the government now make a sound peso its policy?

If it doesn't, the repercussions will be political, not just economic. Mexico's battered middle class is becoming increasingly restive as unemployment grows and living standards shrivel. More Mexicans are going to try to cross into our country illegally.

Mexico had been unintentionally throwing gasoline on its inflationary fires, with its central bank pumping out more and more pesos. Now the government thinks that jacking up inter-

est rates will bolster its sinking currency. All that does is squeeze small businesses and consumers even more.

The Bank of Mexico should turn off its printing presses and sop up the excess liquidity by selling the bonds and other assets it currently holds. It shouldn't worry about interest rates. As soon as the markets realize the government is truly serious about stabilizing the peso, interest rates will fall. Mexico should do what Argentina did four years ago with its successful anti-inflation program: firmly fix the peso to the dollar. Monetary policy would be based solely on keeping that connection ironcladly intact. The government could then follow up with some badly needed pro-growth tax cuts.

The economic hurricane would then be over, and the Mexican economy could rapidly recover.



Presidents Clinton and Zedillo:
Despite the good feelings, Mexico's situation continues to worsen.

PHONY PROGRESS

THE FOOD AND DRUG ADMINISTRATION is touting a new report by the General Accounting Office that the FDA is approving new drugs far faster than it did a few years ago.

Don't believe it. The FDA's "improvement" is only for the last phase of a long regulatory process. The major hurdle is the so-called clinical development period, during which the FDA over the years has been demanding more and more data that outside experts feel are unnecessary. The mean clinical testing time has increased two-and-a-half-fold since the 1960s, from an average of 2.5 years to 6 years. Only after this process is completed can a pharmaceutical company formally file a new drug application with the FDA.

As a result of this needless, bureaucratic expansion of clinical study time, the cost of developing a new drug is almost \$300 million, up from \$130 million (inflation-adjusted) in 1976. Other major nations with respected, reputable testing procedures, such as Britain, Germany

and Japan, take significantly less time to allow a new drug to come to market. That's why only 27% of recently approved new drugs in the U.S. were first marketed here. Some 12% of new medicines were available for more than ten years in a foreign market prior to U.S. approval.

The FDA hopes that this GAO study will derail congressional legislation that would speed up the agency's sluggish drug-approval process. (Under the legislation being drafted, if the agency did not act within a given period, the review would be turned over to a private group—and even better, the

drug could go on the market if it had already been approved for use in another reputable testing nation, such as Britain.)

The FDA is becoming an increasingly destructive obstacle to the development of new medicines and is wreaking increasing havoc in the field of medical devices. Its director has already undermined the agency's integrity by playing politics with a number of issues.

The time is long past for bringing the FDA to account.

F.D.A. Has Sharply Cut Drug-Approval Times, Report Finds

—New York Times

CALIFORNIA VOTERS

will have the opportunity next March to pass three exciting initiatives. These will slash auto insurance costs, rescue new, job-creating high-tech companies from extortionist shakedowns by rapacious trial lawyers, and reduce court congestion by encouraging rapid settlement of numerous lawsuits. The measures are the brainchild of the Alliance to Revitalize California, a pro-consumer, antilawsuit organization spiritually spearheaded by author and financial wizard Andrew Tobias.

One initiative would create a genuine no-fault auto insurance system, virtually eliminating the need for lawyers and taking away incentives to file fraudulent insurance claims. Victims would be covered by their own insurance, which would immediately pay for actual losses, such as medical expenses, rehabilitation and forgone wages, no matter who was at fault. There would be less need to go to court or to negotiate a settlement. Motorists would receive the compensation they had paid for: uninsured motorists would get nothing. Currently in California, and in many other states, lawyers get more of an auto-insurance-premium dollar than do doctors and hospitals.

The second measure would stop an ugly cottage indus-

try's imposing growing burdens on emerging companies. The stocks of startups are inherently volatile, but lawyers

routinely file shareholder suits charging fraud whenever a high-tech company's stock takes a plunge. Defending these actions is so expensive that many outfits simply settle. The Alliance's initiative would require the losing party to pay the winning party's legal expenses. Since most of these suits are meritless, shakedown artists would hesitate to file if they had to pay the other side's legal bills. Thus, managements of emerging companies could spend their time and resources growing their businesses instead of fighting off legal hyenas.

The final initiative would limit contingency fees—when the defendant quickly agrees to pay damages—to 15% of a settlement instead of the usual 33%. More money would go to

victims, less to lawyers. And defendants would have incentive to speedily close a case when in the wrong.

Not surprisingly, trial lawyers are outraged at these threats to their gravy trains. But such sensible reforms are absolutely necessary in order for consumers to save money, to bring back sanity to our courts and to enable honest entrepreneurs to concentrate their energies productively.



Auto accidents need not be bonanzas for lawyers.

PERSONAL MEMORIES OF A GREAT MAN

I FIRST MET Yitzhak Rabin 15 years ago, when I visited Israel with my father and *FORBES* editor Jim Michaels. At that point Rabin's political career seemed over, after a tough stint as Prime Minister. The underacclaimed architect of Israel's spectacular Six-Day War victory impressed us with his candor, his perceptive appraisal of the issues and personalities of the day, his direct approach and his underlying humanity, which had not been warped or extinguished by years of military and political warfare. The three of us remarked afterward how regrettable it was that such a down-to-earth, obviously able man would not be in harness again in the service of his country.

My next meeting with Rabin took place ten years later and was strictly business. He was Defense Minister and I was Chairman of the Board for International Broadcasting, which oversaw Radio Free Europe and Radio Liberty. At the time, we were trying to implement an agreement with Israel to build a major transmitter station in the Negev desert. The Israeli Air Force had raised obstacles that threatened to scuttle the project. We felt the objections could easily be overcome but realized the military didn't want to be bothered with what it thought was an unnecessary nuisance. My colleagues and I conferred with the Defense Minister and key Air Force leaders. Rabin listened carefully to our presentation and to our interchanges with the Air Force brass. He then asked straightforward, penetrating questions. To the discomfort

of his associates, he concluded that the project should not be stopped. He was that kind of man—he could weigh information and wasn't afraid to make a difficult decision. Because of the transmitter project (ultimately nixed by the Clinton Administration), I met with Rabin a third time when he was Prime Minister (he was a man of too high a

stature to be called the comeback kid) in 1992. Despite noisy domestic opposition, Rabin said Israel would honor its commitments. What was noteworthy again was his trust-inspiring, businesslike manner.

I was fortunate to see Rabin one more time, last spring, when I had the opportunity to host a small group of American executives for a visit to Israel in order to size up

investment opportunities in that extraordinary country. The Prime Minister and his wife, Leah, invited us to their apartment for dinner. While obviously fatigued, he spent the evening answering our questions and sharing with us his unshakable conviction that Israel must continue to pursue the peace process. The dinner underscored what everyone already had known: Without Rabin's vision, determination and ability to quickly win the trust of others, those breakthrough agreements would never have happened.

Rabin was no know-it-all, doubts-are-for-others leader. He had deep convictions, tempered by a personal, Lincoln-esque appreciation of the strengths and frailties of human nature. That humanity is why so many of us genuinely grieve his loss.



Israel, March 1980: SF, MSF, Rabin and JWM.

"With all thy getting get understanding"

Fact and Comment

By Malcolm S. Forbes Jr., *Editor-in-Chief*



WHETHER CANADA?

THE NEAR-PASSAGE of Quebec's separatist referendum underscores two deep flaws in Canadian government, one philosophical, the other constitutional.

Philosophically, Canada has engaged in a statist, tax-and-spend approach far more than Washington. Canada's national debt proportionately is significantly higher than our own, its tax burden far greater. There is no earthly reason Canada shouldn't have consistently outpaced the U.S. in economic growth. The heavy loads imposed by Ottawa and the relative stagnation vis-à-vis the U.S. have made Canadians wonder what the advantages are of sticking together. Canada badly needs a vigorous regime of massive tax cuts and a Gingrich-Kasich approach to reining in spending.

The constitutional flaw is Canada's imperfect federalism. Canada has long been dominated by two big

provinces, Ontario and Quebec. Because Canada has no senate with equal representation, the western provinces have long felt abused by Ottawa. During the oil boom of the 1970s, for example, oil-rich Alberta was routinely milked to finance schemes hatched by Ontario and Quebec politicians.

By contrast, the U.S. does have an upper chamber where Wyoming, our least populous state, has the same number of votes as does California, our most populous state. Our federalism better protects minority interests. Moreover, our big states have nowhere near the clout that Ontario has in Canada.

The answer for Canada is simple: Create a senate that has equal powers to its House of Commons, that has equal representation from each province and that is directly elected.

DUMP IT

THAT THE GOP, even for a moment, considered jettisoning its attempts to ease the Social Security earnings penalty was astonishing, given the increasing heat Republicans are taking from the elderly over the party's ill-understood, incredibly detailed changes in Medicare. Social Security recipients between ages 65 and 69 face a ferocious tax on earnings above \$11,280, which, when combined with other taxes, becomes a marginal tax rate of over 60%.

The House of Representatives earlier this year ap-

proved only slight modifications. Deficit hawks are acting like dodo birds here. The earnings penalty should not be fiddled with; it should be scrapped altogether. It punishes productive work, which means that the government ends up with less revenue.

This tax punishment, moreover, applies only to wages and salaries. Investment income has no such cap. By abolishing the earnings penalty, GOPers could win credit among a group of people with whom they badly need it.

ALBATROSS

POLICYMAKERS AND ECONOMISTS still make a mistake that costs us dearly: They continue to confuse a rise in prices resulting from increased demand with a rise resulting from the currency's being debased. The distinction may appear arcane, esoteric, but its costs in lost jobs and incomes are all too real.

When politicians print too much money, the worth of the dollar goes down. Interest rates go up. That's a very differ-

ent phenomenon from, say, the boost in the price of paper that results from newspapers', magazines', catalogers', etc. wanting to buy more than papermakers can make.

Economists, of all people, should understand that such pricing changes are essential in a free market. In the case of paper, increased demand tells suppliers that it might be time to add capacity. Buyers are told to try to increase productivity, and, perhaps, to print

Has This War Been Won?

A Debate Grows on the Durability of Low Inflation

-New York Times

fewer catalogs (which is what is happening today).

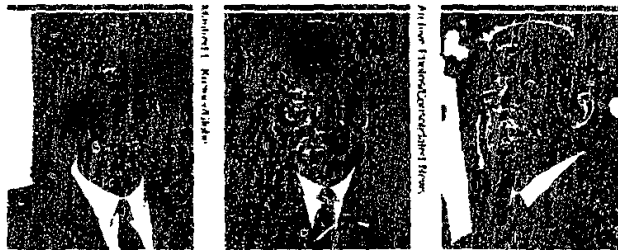
This inability to separate currency debasement from healthy supply and demand has given us the pernicious theory that prosperity causes inflation. The way to keep inflation low is not by depressing the economy—which is what the Federal Reserve has been doing since last year, to the applause of both Democrats and Republicans—but simply by avoiding churning out more dollars than the economy can use productively.

Between 1954 and 1965, the American economy grew at a rate almost 50% higher than the current expansion, and consumer prices rose around 1% annually. In those days, of course, the Federal Reserve operated under a monetary system called the gold exchange standard. When John Kennedy took office, he stated that the dollar must always be as good as gold. His policies of sound money and lower taxes made possible a long-lived boom. But Johnson was unsure, and

Nixon did not believe in a sound dollar and destroyed the gold exchange standard. The U.S. paid dearly. A debilitating decade of inflation, oil shocks, rising taxes, high interest rates and falling wages was the result. Even today, despite a Federal Reserve extremely sensitive to inflation, interest rates remain historically high.

Ronald Reagan understood the need for a sound dollar free from political interference, but no others in his administration quite knew how to make that happen. Actually, the process is simple. Use gold as a compass. If its price were to go much above \$385 an ounce (its current cost), the Fed would know it's

printing too much money and would withdraw dollars from the banking system. If the yellow metal were to fall below \$385, the Fed would do the opposite—add dollars. With this as the proclaimed approach, interest rates would fall to the levels we had before the mid-1960s, and we would again have 30-year, fixed-rate mortgages at 4.25%.



JFK understood sound money was good for growth. His immediate successors did not, and we suffered stagnation and inflation.

SUBSIDIZED PLACE AT THE TROUGH

CONGRESS SHOULD LIMIT groups that receive Federal largesse on how much they can spend to lobby Washington for more money. But legislation proposed by Representatives Ernest Istook (R-Okla.) and David McIntosh (R-Ind.) to do just that may well be blocked by—you guessed it—fierce lobbying from the affected parties.

Thousands of organizations, such as the American

Association of Retired Persons, that receive federal funding spend considerable sums to persuade Congress to pony up additional dough. True, under current law, government grants aren't supposed to be used for political purposes, but money is fungible. Beneficiaries can claim that their lobbying dollars came from nongrant sources.

Why should taxpayers pay for groups to badger Congress for more taxpayer money?

GETTING REAL ON CAMPAIGN REFORM

A NUMBER OF Democrats and Republicans are calling for more campaign finance reform. In the past, these efforts have been nothing more than incumbent-protection acts, making it difficult for challengers to raise the resources necessary to run credible races against entrenched officeholders.

Instead, reformers should whack away at some of the more egregious perks representatives and senators use to

stay in office. A good start would be franked mail. Your Washington legislators send literally millions of pieces of "constituent information newsletters" that are nothing more than glorified "reelect me" brochures. Both the Senate and the House should disallow these freebie political mailings. The frank should be permitted only for responding to a letter or query from a constituent.

ANCIENT GREEKS MADE US MODERN

The Oldest Dead White European Males—by Bernard Knox (W. W. Norton & Co., \$9.95). Concise, delightfully learned, pleasurable readable. This should be required reading for college students, lest their minds be muddled by politically correct fads and fashions. Without ever being argumentative, the author, a renowned classicist, lays out how much our democratic culture owes to this Mediterranean civilization that flowered some 2,500 years ago. Its literature still speaks to us today. The triumphs and shortcomings of Athenian democracy remain absolutely relevant to the challenges and opportunities we face. The role of the Sophists is given its just due. The Sophists understood, perhaps better than many academics today, the importance of a liberal arts education.

Excerpt: *We should not forget the astonishing originality that sets [the ancient Greeks] apart. They invented democracy more than two thousand years before any modern Western nation took the first steps toward it; they invented not only philosophy and the theater but also the model of a national literature, with its great writers, its critics and commentators, its libraries; they invented organized competitive athletics, political theory, rhetoric, biology, zoology, the atomic theory—one could go on. Above all, in startling contrast to the magnificent but static civilizations of the great Eastern river valleys—Tigris, Euphrates, and Nile—they created in the restless turbulence of their tiny city-states that impatient rhythm of competition and innovation that has been the distinguishing characteristic of Western civilization.*

THE OLDEST
DEAD WHITE
EUROPEAN
MALES



BERNARD KNOX

"With all thy getting get understanding"

Fact and Comment

By Malcolm S. Forbes Jr., *Editor-in-Chief*



BLOODY DUMB IDEA

PRESIDENT CLINTON IS ADAMANT that the U.S. put 25,000 ground troops in Bosnia as part of a peace settlement. The proposal is murderously preposterous.

Have we learned nothing from our experiences in Lebanon and Somalia? What, exactly, would be our soldiers' mission? For how long? Under whose command?

These Americans would quickly become targets of anti-peace, anti-American factions, which are numerous in that part of the world. Instead of preserving peace, our presence would goad those who want conflict.

Presidential apologists point to Haiti, where U.S. troops have suffered virtually no harm. But Haiti isn't the Balkans, where war is being waged by determined armies. Moreover, Haiti sadly appears to be headed for another dictatorship as President Aristide methodically eliminates his foes. Our previous occupation (1915-1934) didn't make Haiti safe for democracy. This episode won't either.

President Clinton calls opponents of his ill-conceived scheme isolationists. The real fanners of isolationist sentiments are those who, like the President, would put our troops in harm's way without systematic, careful consideration as to how this will help our long-term national interests.

At the same time, the Administration still balks at the idea of removing the arms embargo on Bosnian Muslims. Instead, the White House prattles about providing defensive weapons. In the real world, only armaments of the scope and on the scale of the Serbs' will suffice.

A settlement that has any chance of lasting should involve NATO air power, not U.S. ground forces; should supply the Bosnian Muslims with sufficient arms and munitions; and should require Western Europeans, particularly the Germans, to forcefully tell the Croats that their hopes of joining the European Union are zilch if Croatia tries to cut a deal with Serbia to divvy up the rest of Bosnia.

BAD THEORIES → THROTTLED GROWTH

BRAZIL IS AN EXAMPLE of obsolete economic thinking's throttling a country that is ready for explosive rates of economic growth.

Until recently, the country seemed consigned to perpetual hyperinflation, to forever fulfilling that jocular but pessimistic forecast: Brazil has a great future and always will. But in 1994, former finance minister (now president) Fernando Henrique Cardoso instituted a dramatic anti-inflation plan that has been sensationally successful. From a level just shy of 2,500%, the annual inflation rate is now down to 22%. Brazil's long-shackled economy began to blossom and seemed ready to become the world's fastest-growing one.

Alas, the government and the central bank are now starting to choke the economy because of two wrongheaded ideas. One is that a developing country should have a trade surplus in order to

"generate" capital for internal expansion. When imports mushroomed earlier this year, Brasilia responded by slapping on tariffs and quotas for automobiles and other items.

The Central Bank of Brazil is guilty of the other toxic theory: Fast growth breeds inflation. The bank imposed a credit squeeze that has been especially damaging to small entrepreneurial companies. Neither central bankers nor government planners nor economists can possibly know how fast the Brazilian economy can grow. Growth doesn't destabilize a currency; excessive credit creation does. In short, if the central bank kept its currency permanently fixed to the dollar and announced this as its policy, real interest rates would fall and the economy would grow even more.

As it is, Brazil's potential is so extraordinary that the economy is still expanding at a 5% to 6% pace.



President Cardoso: Quelled inflation. Must now exorcise slow-growth ideas.

JUST SAY, "NO"

ALABAMA GOVERNOR FOB JAMES recently returned \$1.4 million his state received last year from the Department of Education to help implement Washington's Goals 2000 program. The project, supposedly, will promote

new national standards to improve kids' education.

The governor is right to send the money back. The guidelines, voluntary today, will, in Washington fashion, become mandatory and do schooling more harm than

good since they are permeated with political correctness. The most notorious example is the initial draft of standards for American history. Figures such as the Wright brothers, Paul Revere, Thomas Edison and countless other icons are given short shrift while Joseph McCarthy and the Ku Klux Klan are highlighted.

The state of New Hampshire has also wisely rejected the fund-

ing, as has Virginia. After originally participating, Montana is opting out. Other states should resist the lure of seemingly easy federal money and follow the example of these four states.

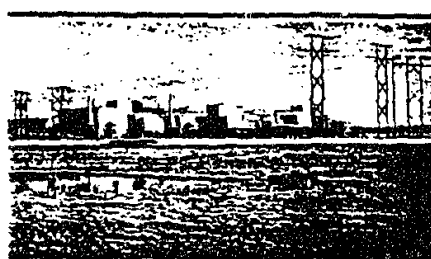


Governors Fob James, Alabama; Stephen Merrill, New Hampshire; George Allen, Virginia; and Marc Racicot, Montana: Resisting the D.C. bribe to imbibe a bad idea.

American education best flourishes when schools are accountable to parents, not to self-serving unions such as the National Education Association or to government bureaucracies.

LET'S FIND OUT WHAT'S THERE

FIFTEEN YEARS AGO Congress created the Arctic National Wildlife Refuge and set aside a small portion of the area for studying the potentially huge oil and gas resources there. Environmentalists are now waging a ferocious fight to put that part of ANWR into commercial deep freeze. Congress should pass the necessary legislation to enable



Oil activity hasn't stopped caribou proliferation.

exploration to begin. Our experience with Prudhoe Bay, now the source of almost 25% of our domestic oil production, amply demonstrates that development can be carried out in ways that are environmentally safe and sound.

There is no good reason, other than emotion, for not letting exploration go forward.

SADDLING UP ANOTHER EQUINE MYSTERY

Come to Grief—by Dick Francis (G. P. Putnam's Sons, \$23.95). Unlike the case with your usual whodunit, we know the villain in this one from the start. And the crime here is not murder but the mutilation of horses for sadistic pleasure. Alas, the good guy is regarded as an envious cad for getting the goods on the bad guy, who enjoyed pre-trial O.J. Simpson-like popularity. The story tells how the evil deeds were done; the horses tortured; and who tried to cover up for the brute and why. As usual, the Francis-can hero is stoic and single, a man who hates to show emotion. A book not for the squeamish. Excerpt: "I understand the jury isn't allowed

to know anything about a witness. I was at a trial once in the Central Law Courts—the Old Bailey—when a beautifully dressed and blow-dried twenty-six-year-old glamour boy gave evidence—all lies—and the jury weren't allowed to know that he was already serving a sentence for confidence tricks and had come to court straight from jail, via the barber and the wardrobe room. The jury thought him a lovely young man. So much for juries."

"Don't you believe in the jury system?"

"I would believe in it if they were told more. How can a jury come to a prison-or-freedom decision if half the facts are withheld? There should be no inadmissible evidence."



RESTAURANTS—GO, , STOP

Here is the distilled wisdom of brothers Bob, Kip and Tim, and other FORBES eatery experts Jeff Cunningham and Tom Jones.

● **El Parador Café**—325 East 34th St. (Tel.: 679-6812). Can't get a reservation at Rosa Mexicano? Don't like the hassle of Zazela's? Try this granddaddy of Mexican restaurants in New York (opened in 1959). No attempt at the more sophisticated culinary achievements of the aforementioned restaurants, but what is offered is robust, tasty and dependable. A fun place, romantically lit.

● **Mambo Grill**—174 East 82nd St. (Tel.: 879-5516). Venezuelan cuisine. If it's on the menu, try the *ropa vieja*—shredded pork, moist and garlicky. Desserts good, too—*rice pudding*, delightfully nonsweet.

● **Shun Lee Palace**—155 East 55th St. (Tel.: 371-8844). Better than ever. Food and service are tops. Consider chicken grand chef (marinated with black

beans, ginger, scallions, mushrooms and bamboo shoots) or rack of lamb Szechuan style (grilled with garlic and scallions, served with broccoli and carrots in a Szechuan sauce).

● **Deniz**—400 East 57th St. (Tel.: 486-2255). Turkish food, occasionally wonderful (particularly char-grilled, mashed eggplant salad), but generally disappointing.

● **Royal Canadian Pancake House**—1004 Second Ave., at 53rd St. (Tel.: 980-4131). High-cholesterol heaven. Even so, place full of smartly dressed young professionals who order up Texas-size pancakes, French toast the length of the Wonder Bread loaf topped off with gobs of whipped cream. Everything that doesn't get syrup is dripping with melted cheese. Sausages are to die for.

"With all thy getting get understanding"

Fact and Comment

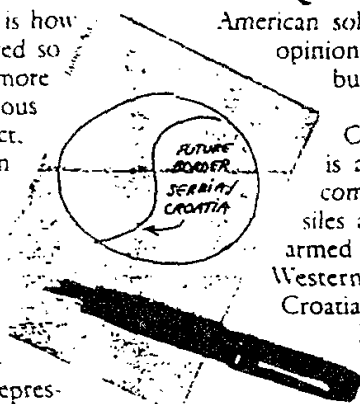
By Malcolm S. Forbes Jr., *Editor-in-Chief*



THE GREAT UNANSWERED QUESTION

about the upcoming settlement in Bosnia is how that country avoids the fate Poland suffered so many times: being partitioned by greedy, more powerful neighbors. In this case the obvious carver-uppers are Serbia and Croatia. In fact, in May Croatian President Franjo Tudjman indiscreetly told a British politician at a state dinner in London that the divvying up of Bosnia is what he happily foresees, and then he jotted down a map on the back of a menu, showing how his country and Serbia would share the spoils.

This would mean the slaughter of countless numbers of Muslims and the forcible repression of those who survived such a "cleansing." To avoid any such bloodbath, diplomats say, American ground troops must be a part of any settlement. But



American soldiers are not the answer here. Public opinion will not support such an open-ended buffer role.

NATO must make clear to Serbia and Croatia that the Bosnian rump state that is about to be created will have the full commitment of NATO war planes and missiles and that Bosnian troops will be amply armed with the most modern of weapons. And Western Europe should repeatedly remind Croatia that its ability to trade with Western Europe and to become a member of the European Union depends entirely upon nonaggressive behavior. The longer a peace can be kept, the more likely that more and more increasingly prosperous Croats will oppose a war of aggression.

STOP THIS STRONG-ARMING

REPUBLICANS ARE TOYING with the idea of having the IRS farm out the collection of delinquent taxes to private-sector bill collectors who would receive sensitive information about taxpayers that normally remains within the confines of the government.

The idea is a bad one. Sure, enforcers outside the federal government might be more "efficient" and cheaper, but any such savings are not worth the price of this gross invasion of privacy.

Unquestionably, compliance with the tax code is declining. Self-compliance was once a characteristic that sharply distinguished us from other nations. But the real villain here is the sheer complexity of the tax code itself. It is axiomatic in history that the more complicated tax law becomes, the less revenue is paid

and the more nasty—or corrupt—tax collectors become.

For almost 20 years Washington and the states have been obsessed with tightening the rules and increasing resources to bring in more money. Result: growing resentment from taxpayers. And no wonder—some 40% of the delinquent notices the IRS sends out are mistakes.

The answer is to junk the current code and enact the flat tax. The resulting simplicity would enormously increase compliance, would remove the major sources of political corruption in Washington, would set off an economic boom because people could keep more of each dollar they earned, and would eliminate barriers to job-creating investment.

G.O.P. Wants I.R.S. to Use Bill Collectors

*Hired Outsiders Could
Get Data on Taxpayers*

—New York Times

SIMPLE WAY TO SAVE \$\$\$

ONE QUICK WAY to reduce the deficit is to index government bonds for inflation. Uncle Sam could then sell long-term debt with coupons as low as 2%. Britain began indexing its government paper in the early 1980s. London now issues bonds with maturities for almost 40 years, with interest rates averaging around 3.5%.

After an indexed bond is sold, interest and principal

are geared to reflect inflation. Since investors know that they will earn a "real" return, they don't expect a premium in interest rates as compensation for unknowable levels of future inflation.

Our Treasury Department has resisted the idea since the Brits started it nearly 15 years ago. Too bad. In the early 1980s we were issuing long-term, fixed-rate bonds

with coupons of up to 15.75%. If we had started indexing them, we would have saved literally tens of billions of dollars in interest payments, as inflation plummeted from 13% to 4%.

The Clinton Administration has been shortening the average length of our debt as a gimmicky way to reduce the budget deficit. This is a dangerous trend, the most extreme example being Mexico, which relied almost

entirely on short-term maturities and was thus extraordinarily vulnerable to financial shocks.

Indexing would also reduce the temptation of the Federal Reserve to engage in inflationary policies, knowing that the government would immediately face higher costs.

Ultimately, of course, the best lower-interest-rate policy is retixing the dollar to a fixed measure such as gold. In the meantime, indexing is a sensible bridge.

GIVE PEACE A CHANCE

NOW THAT ISRAEL AND THE PLO have signed an historic agreement concerning the West Bank, both sides should be urged to shuck off some deeply ingrained philosophical barriers to economic progress.

Israel today is one of the most overregulated, overtaxed nations. Income tax rates rapidly reach 50%, and there are numerous indirect taxes. It costs an employer more than \$3 to give a worker an aftertax salary increase of \$1. If Israel were to enact a flat tax—as a small group of Knesset members are proposing—and sweep away some of the more ridiculously onerous rules, the country would quickly

reach double-digit growth rates. Its highly educated, hard-working, innovative work force guarantees such a result.

The government in Jerusalem would then be in a position to advise the Palestinians—even more statist-minded than the Israelis ever were—to do the same. Since the Palestinians began achieving more self-rule, government decrees and taxation have become oppressive. The new governing authority not only has stamped out grassroots entrepreneurship but also has introduced a wave of outright thuggery.

The only hope for lasting peace is if this region becomes a hothouse of prosperity.

ECONOMIC MALPRACTICE—AGAIN

ARGENTINA'S FREE-MARKET finance minister, Domingo Cavallo, recently survived an assault from his country's retrograde political forces. But the economic slump that has been fueling the attacks against him underlines yet again how destructive the economic medicine and advice are that we and the International Monetary Fund administer to other nations.

Starting in 1991—and with the full support of President Carlos Menem—Cavallo began liberating a nation that was suffocating under excessive inflation, taxation and regulation. By strictly tying the value of the peso to the dollar via a currency board (no peso can be issued unless it is backed by hard currency), Cavallo quickly reduced inflation from over 2,000% to under 4%. Tax rates were cut; stifling regulations were eased; and state-owned companies, including telephone and oil, were privatized. Until last December's Mexico crisis, Argentina was enjoying an impressive annual growth rate of almost 8%.

Now, thanks to IMF-imposed austerity, Argentina is withering in recession. When Mexico abruptly devalued its

own peso, speculators attacked Argentina's, figuring it would quickly succumb. Foreign capital was withdrawn from Argentina, sharply reducing the money supply and bringing on a devastating credit crunch. Knowing the huge costs of inflation-causing devaluations, Cavallo fought back, impressively cutting government spending.

But Argentina needed temporary loans to ease the credit shortage. Alas, with our connivance, the IMF provided the necessary funds but demanded higher, anti-growth tax increases in return. If the Clinton Administration knew what it was doing, it would have told the IMF to extend the money and require Buenos Aires *not* to boost such growth-inhibiting exactions.

The peso was saved, but the unnecessary economic slowdown is making it extraordinarily difficult for the government to introduce another round of needed reforms—particularly with regard to onerous labor laws and a hemorrhaging health care system—to stimulate further growth.

Once more, Washington has gratuitously hurt the cause of democratic, free-market capitalism.



Cavallo: How long can he and his country survive bad medicine?

RESTAURANTS—GO, , STOP

Here is the distilled wisdom of brothers Bob, Kip and Tim, and other FORBES eatery experts Jeff Cunningham and Tom Jones.

● **Le Périgord**—405 East 52nd St. (Tel.: 755-6244). Menu, decor, captain, waiters and flowers all speak of an earlier, grander era for New York French restaurants. While old-fashioned, Le Périgord retains a freshness and vitality. Delicious food: perfect cold foie gras with Sauterne jelly; a simple and superb artichoke vinaigrette; beef stew; grilled Dover sole; cooked-to-order shad roe.

● **Thomas Scott's on Bedford**—72-74 Bedford St. (Tel.: 627-4011). While the setting is charming and romantic, the food is terrible.

● **Hangawi**—12 East 52nd St. (Tel.: 215-0077). Unusual Korean restaurant. Vegetarian menu with such specials as

pumpkin porridge, tofu roll and mushroom bulgogi. Traditional Korean full-course meal, pleasing, light and satisfying.

● **La Ripaille**—605 Hudson St. (Tel.: 255-4406). Like L'Auberge du Midi, this is an atmospheric West Village French bistro. Try the fish and game dishes.

● **Vong**—200 East 54th St. (Tel.: 486-9592). Unique, like eating on the set of *The King and I*. Try appetizers such as crab spring roll with tamarind dipping sauce or sautéed foie gras with ginger and mango. Entrées, just as special: lobster with Thai herbs; roasted chicken with lemon-grass; black bass with black trumpet mushrooms, chestnut and lotus root broth. Desserts, worth every calorie.

"With all thy getting get understanding"

Fact and Comment

By Malcolm S. Forbes Jr., *Editor-in-Chief*



STOP STUNTING OUR PROSPERITY

THE DIRECTORS OF THE National Association of Manufacturers have issued a resolution calling on the Federal Reserve to ease monetary policy to stimulate growth. Others should take up this cry: There's no reason we can't expand at a 50% to 100% faster pace than the Fed thinks we're capable of doing.

Our central bank, with the overt support of the Clinton Administration and the passive acceptance of congressional Republicans, believes that real growth in excess of 2.5% a year will trigger inflation. That's a pre-

posterous proposition, but it still retains an unassailable grip on the minds of Washington policymakers. Between the end of the Korean War and the big Vietnam buildup of the 1960s, the U.S. economy expanded at an annual average of 3.5%, with negligible inflation. Growth during the Reagan expansion averaged almost 4%, while inflation plummeted.

Given the Reagan record, not to mention so much other overwhelming evidence, why doesn't the GOP take the Fed to task?

LASOING LAWYERS LIBERATES THE REST OF US

TORT REFORM IS BOGGED DOWN, even in this Republican Congress, as the trial bar showers contributions on a party it had disdained until last November's elections. Too bad: Real change would help stimulate prosperity. A study from the National Bureau of Economic Research finds that reforming our so-called civil justice system will enormously benefit job creation and economic expansion. Researchers found that states that

reduced excessive litigation and unjustified awards did far better economically than states that did not. In fact, the study found that employment fell when suit-encouraging laws were passed.

Gratifyingly, states are enacting their own progrowth changes. Particularly impressive are reforms enacted by Governor George W. Bush in one of the most notoriously litigation-happy states, Texas.

GO SLOW

REPUBLICANS are ready to wield an ax against the earned income tax credit. They should think carefully before they act. This credit supplements incomes of low-wage earners. Its goals: to get people off welfare, since taking a job means a sharp, quick loss of noncash benefits, and to keep those with low incomes from falling into welfare.

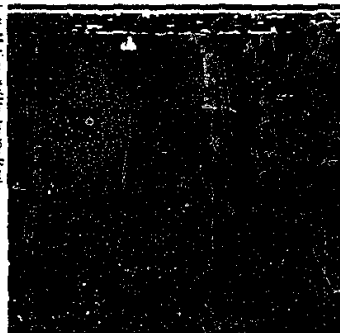
The program has expanded far beyond what it should have, and it is riddled with fraud. The GOP is, of course, right to deal with these problems. But until there is genuine welfare and tax reform (read flat tax), the principle of the earned income tax credit is sound.

A scalpel, not a meat cleaver, is called for.

AN ANTI-AG PROGRAM

ONE MEASURE Washington should kill is the Conservation Reserve Program. Its purpose is to have farmers set aside highly erodible or other environmentally sensitive land. Farmers are paid not to grow crops on the land for ten years.

This supposedly pro-environment program does more harm than good. Around 36.4 million acres have been set aside, an area larger than the state of Iowa. Most acreage is actually good agricultural land that could be used soundly by incorporating basic environmental safeguards.



Opportunity lost: Unused fields mean losing overseas markets.

At a time when world trade for food is growing, this perverse program reduces American agricultural production, thereby leaving global markets open to foreign competitors. Lower production has meant lessened agricultural activity, resulting in social costs. Senator Kent Conrad (D-N.D.) has blamed the Conservation Reserve Program for destroying "small town after small town."

Good land should not lie fallow, especially when market opportunities are expanding worldwide.

POLITICAL HOSTAGE

THE CLINTON ADMINISTRATION is slowing down efforts to bring other nations, such as Chile, into Nafta. The reason is political. In the aftermath of the Mexico debacle, Nafta is seen as an electoral liability. Ironically, if the Administration and Mexico had lived up to the spirit of Nafta, Mexico today would be humming with vibrant rates of growth.

Last December's disastrous devaluation (which we urged on Mexico) was an anti-free-trade move meant to make our exporting to Mexico more difficult and to give

Mexican exports an artificial boost by effectively lowering their prices. That is protectionism. Since December, our exports to Mexico have shrunk, costing us tens of thousands of jobs. The Mexican economy is in deep recession.

Previously, U.S.-Mexico trade had blossomed because barriers were lowered and the peso-dollar relationship was stabilized. Between 1985 and 1994, American exports to our southern neighbor just about quadrupled, from \$13 billion to \$50 billion.

BIG LESSONS

THE STUNNING ANNOUNCEMENT that AT&T is splitting itself into three companies underscores two critical points. The first, and lesser one, is that big is not necessarily better, despite a spate of sensational mergers. The information age puts a premium on speed for creating opportunities and for implementing up-to-date technology. Only such fast companies can achieve the productivity and create the products and services essential for staying successful. AT&T's CEO Bob Allen rightly pointed out that management was spending too much time and too many resources keeping track of and integrating the company's multitudinous businesses and markets.



CEO Allen: Keeping core company focused by shedding non-core parts.

The breakup will mean thousands of layoffs, which leads to the second, more important point: In an environment where such downsizing remains a constant, it is essential that the American economy be expanding vigorously instead of moving at the anemic rates of recent years. Otherwise, those jobs will not be replaced with comparable ones—not to mention creating the new ones needed for young entrants into the work force.

The way to get the economy growing as it should is to enact the flat tax. That won't happen until after the next election. In the interim, Congress must cut the capital gains tax to generate job-creating investment.

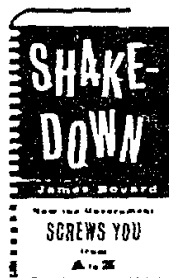
TRUE TALES OF TERROR

Shakedown—by James Bovard (Viking, \$14.95). Bovard's make-your-blood-boil book of government's abusive excesses against ordinary Americans should turn even the most stout-hearted statist into a fervent libertarian. In anecdote after anecdote the author chronicles outrageous acts from agencies such as the Environmental Protection Agency, the Equal Employment Opportunity Commission, the Department of Housing and Urban Development, the Food and Drug Administration, and even municipal zoning boards. This wee volume underscores the reason so many Americans are turning conservative. It's one thing for the government to go after major corporations, quite another when it begins strong-arming countless thousands of ordinary citizens.

Bovard's wide-ranging, meticulous research has proba-

bly put him at the top of any bureaucrat's most-wanted list.

Excerpts: *In 1990, Sissy McGill, owner of Solid Gold Pet Foods in El Cajon, California, was jailed for 179 days and fined \$10,000 after the FDA prosecuted her for claiming that her dog food offered poaches "a long and healthier life." ... FDA review time for major new medical devices has increased from 337 days in 1988 to almost 800 days in 1994. ... The Endangered Species Act has made self-defense a crime. John Shuler, a Montana rancher, was fined \$4,000 by the Interior Department for shooting a grizzly bear. Shuler saw three grizzlies attacking his sheep—and a fourth one heading toward him. He shot the bear charging him, then retreated to the safety of his home. [When] the Interior Department sued, a judge held that Shuler was at fault because "he purposely placed himself in the zone of imminent danger."*



RESTAURANTS—GO, , STOP

Here is the distilled wisdom of brothers Bob, Kip and Tim, and other Forbes eatery experts Jeff Cunningham and Tom Jones.

● **Parioli Romanissimo**—24 East 81st St. (Tel.: 288-2391). Remains one of the best—and most expensive—restaurants in New York.

● **Martini's**—810 Seventh Ave., at 53rd St. (Tel.: 767-1717). Food very inconsistent. Maryland crab cakes not only uninspiring but the smallest we've seen. Chicken breast paillard, over-sauced. French fries, disappointing. So are desserts.

● **Taliesin**—35 Church St. (Tel.: 312-2000). Positive addition to the limited selection of restaurants downtown. Grilled lamb chops and grilled swordfish,

first-rate. Flourless, bitter chocolate cake with caramelized bananas, and the lemon mascarpone cheese-cake, heavenly. Service wasn't quite up to the standard one would expect in a hotel restaurant.

● **Le Colonial**—149 East 57th St. (Tel.: 752-0808). Bad-tasting, greasy food; inattentive service. Victim of its own success.

● **Sasso**—1315 Second Ave., near 70th St. (Tel.: 472-6688). Welcome is warm; service is efficient and courteous; and the food is very good. Beef gnocchi with arugula and goat cheese sauce—innovative and delicious.

"With all thy getting get understanding"

Fact and Comment

By Malcolm S. Forbes Jr., *Editor-in-Chief*



BAD IDEA BEGETS BAD ECONOMY

THE U.S. ECONOMY is bogged down because of a misbegotten idea. One of the most destructive, durable theories is the notion that growth causes inflation, that there's a "natural" level of expansion that can be exceeded only at the high risk of a resurgence of rising prices. Economists call this tradeoff the Phillips Curve: If you want more growth, you have to accept more inflation; if you want less inflation, you have to accept a semi-sluggish economy.

The Federal Reserve in early 1994 began raising interest rates with the avowed goal of slowing down the economy to fight inflation. The resulting torpor has meant that at least a million new jobs that could have been created were not. It has meant that personal incomes that could have gone up did not.

Prosperity is not the fueler of inflation. We had our longest peacetime expansion in the 1980s, and inflation plummeted from 13% to 4%. Yet Republicans and Democrats implicitly accept the restraints of the Phillips Curve. Both accept the uninspiring assumption that the economy can only grow around 2.5% annually. The Federal Reserve becomes horrified when economic growth approaches 3%. How in the world do these people know what our economy is capable of doing? Past averages are very interesting, but they are not predictive of the future.

Given the fundamentals—strong productivity, strong investment, technological leadership, plentiful capital—there is no reason we can't do significantly better than the Federal Reserve and its passive, political co-conspirators seem to think.

SIMPLIFY CENSUS

CONGRESS SHOULD TELL the Census Bureau to get back to basics as the Bureau prepares for counting us in the year 2000. Instead of sending out ever-more-complicated, intrusive, multiple-page questionnaires to millions of people, the agency should substitute a simple postcard. The Constitution requires only an enumeration of how many of us there are in the United States and where we live. It does not require the government to collect



Counting people, not doing market research, should be Census' mission.

reams of data for the convenience of social scientists and corporate marketers. The private sector has enough resources and ingenuity to get all the marketing data it needs. That we must answer so many nongermane questions under penalty of law is truly an outrage. The postcard approach would save us billions of dollars. More important, it would do away with an absolutely unnecessary government intrusion into our lives.

TEACHER DIVERSITY

HERE'S AN IDEA that will help re-energize our public schools: Expand the traditional pool from which teachers are drawn. Most districts rely on résumés that come in from about-to-be graduates of teaching colleges. No effort is made to actively solicit people from other walks of life who might consider teaching.

The great obstacle to seeking out nontraditional candidates is, of course, state licensing laws that emphasize time spent—usually years—taking teacher education courses. There is little correlation between these certification requirements and true effectiveness in the classroom.

Wendy Kopp has a better way. She is the founder of Teach For America, which has taken over 3,000 outstanding college graduates, put them through rapid training and sent them to work in distressed urban or rural school districts for two years. This version of the Peace Corps has been immensely successful and widely praised.

Instead of trying to reform the current system, Kopp proposes a parallel, alternate one, TEACH!, which she launched in 1994. Districts would provide intense, extensive training to all beginning teachers, regardless of their previous education credentials. The alternative cer-

tification would be based on actual, on-the-job performance over two years—not on time spent in a college classroom.

Kopp and her colleagues have ongoing demonstration projects in Oakland and Compton, Calif.; Baltimore, Seattle and rural areas of North Carolina. The results are very encouraging. A new pilot partnership is starting this fall in Houston. TEACH! hopes to get all school districts to vigorously recruit teachers from nontraditional sources. Schools will have no excuse not to have top-notch people in classrooms.

As Kopp puts it, "We want to insure that school districts have the freedom to recruit individuals from all walks of life, regardless of their prior experience or course-work in teacher education. Teachers would be licensed on the basis of individualized evaluations of their classroom teaching performance." Of course, there is no reason that nonpublic schools couldn't use Kopp's evaluation tools as well.

The need for an alternate system is great. Experts estimate that half of America's public school teachers will be leaving the system over the next decade.

FAST SOLUTION

NEW JERSEY GOVERNOR Christine Todd Whitman has an idea that motorists will love. She is urging her fellow governors from the Northeast to adopt an electronic toll collection system that would allow cars to zip through (via special lanes) all the region's toll roads, bridges and tunnels. Scanners would record the information from a car's bar code



High-tech tolls keep us moving.

and bill the owner via credit card or some prepaid account.

Dallas and a handful of other areas have radio- or chip-activated booths so that drivers don't have to stop. The benefits are obvious: fewer tie-ups at tollbooths and speedier rides.

The Whitman plan, in fact, should be adopted nationwide.

Rx: PROTECTING PRIVACY

DID YOU KNOW that there is no federal law that protects the confidentiality of your medical records? Washington forbids the release of video rental lists without a court order, but there is no similar protection for the infinitely more sensitive area of your medical information. Safeguards are essential now that records can easily be whisked across computer wires with the press of a button.

Patients should be notified if there is a request for

their records, and there should be patient consent before this information is transferred or disclosed. Legislation should spell out restrictions on who in an HMO or some similar institution can have access to records and under what circumstances. In too many instances, information can be accessed by just about anyone working there.

A good starting point would be the medical privacy bill proposed by Representative Gary Condit (D-Calif.).

THE MORE THINGS...

THE AMERICAN FETISH for healthful, life-elongating foods and diets and our concern over hazardous elements in the environment are nothing new, as this letter (from the *Forbes* Magazine Collection), written over 80 years ago by our most extraordinary inventor, Thomas Edison, attests.

I am in receipt of your favor, and in reply would state that I am not a strict vegetarian. I am an extremely well eater, and eat just about enough to keep my weight constant and to prevent emaciation in the lower temperature. Of the small amount of animal food I eat, it is cooked at rather high temperatures. I eat no fish, no poultry or from-student those with heavy mind. In all life is a pleasant surroundings, and I protect myself against it as far as my knowledge permits me to do so.

Yours very truly,

Thomas Edison

RESTAURANTS—GO, , STOP

Here is the distilled wisdom of brothers Bob, Kip and Tim, and other *Forbes* eatery experts Jeff Cunningham and Tom Jones.

● **Frank's Restaurant**—85 Tenth Ave., at 15th St. (Tel.: 243-1349). Despite a campus eating-hall atmosphere, steaks are almost up to the stellar status of Sparks'.

● **Il Pellicano**—401 East 62nd St. (Tel.: 223-1040). Surly and inattentive service. Food, inconsistent. Insalata di fagioli (black-eyed beans with onion and celery leaves tossed with balsamic vinaigrette), for example, delicious; but insalata di popile (poached octopus with Medireranean dressing), rubbery.

● **La Réserve**—4 West 49th St. (Tel.: 247-2993). Remains one of the tried-and-true classics. Service, impec-

cable; the setting, handsome; the food, superb—if not inspired. An oasis of reliability in this ever-changing world.

● **Home**—20 Cornelia St. (Tel.: 243-9579). Tiny, but for memorable food in comfortable setting, few places can match it. Pistachio and white chocolate cake, outstanding.

● **Sel et Poivre**—853 Lexington Ave., near 64th St. (Tel.: 517-5780). Few bistros more welcoming and comfortable than this small, cozy spot. Menu done beautifully: moules marinière, saucisson chaud and brioche, steak frites and salad, bouillabaisse. Couscous offered on Friday and Saturday nights. Perfect place for a tête-à-tête.

"With all thy getting get understanding"

Fact and Comment

By Malcolm S. Forbes Jr., *Editor-in-Chief*



THERE THEY GO AGAIN

THE INTERNATIONAL MONETARY FUND recently reminded us once more why it needs a fundamental overhaul. IMF officials are now urging developing countries to consider imposing "temporary" controls on inflows of foreign capital when they might be "disruptive."

Empowering politicians to determine who can bring money into their country—and how much—is ostensibly being done to avoid another Mexico crisis. But using that as an example is simply an excuse for another bureaucratic power grab that will do these nations more harm than good.

Naturally, the Clinton Administration applauds this destructive step. "The absolutist religion that some have had against capital controls anywhere, anyplace, anytime is, we have learned, mistaken," declared Deputy

IMF Urges Developing Nations to Study Controls on Inflows of Foreign Capital

—Wall Street Journal

Treasury Secretary Lawrence Summers.

Like wage and price controls, exchange controls invariably breed corruption and economic disruption. Malaysia tried them over a year ago but has had to back off.

Mexico is a poor example, anyway. That crisis occurred not because of an "excessive" inflow of foreign money but because of a government decision to devalue the peso instead of defending it by tightening money. If authorities are worried that foreign-

ers find their country too attractive, there's a simple way to respond: Don't block the money; soak up that capital by having the central bank sell bonds or other assets. This would remove the money from circulation since the central bank doesn't deposit the receipts from those sales into a bank account but, instead, lets them disappear.

CUT THE TAX RATE—INCREASE THE TAX TAKE

SENATE REPUBLICANS WILL SOON demonstrate whether the GOP is truly a self-confident, forward-looking, growth-oriented party or whether it is still the defensive, reactive, aimless entity of old.

The defining issue is reducing the capital gains tax. Welfare will dominate the headlines, but everyone already agrees the system is a disaster. By contrast, the capital gains issue has no such consensus. Most Democrats are adamantly, ideologically opposed to reducing that levy. Republicans have been so beaten by the "helping the rich" charge that they have lacked the internal fortitude to argue and push the matter effectively.

A high capital gains tax is destructive, blocking the flow of money from those who have it to those with the entrepreneurial ideas that enable people to progress. Contrary to what demagogic Democrats say, a high capital gains exaction hurts those who don't already have assets or high incomes. Only a vibrant, growing economy provides opportunities for people to get jobs and to

move into better-paying ones. A stagnant economy means we're all pretty much stuck where we are—a disaster or disappointment for those who want to move ahead, which includes most Americans.

Every time this opportunity-blocking barrier has been reduced, America has benefited. The reductions of 1978 and 1981, for example, set off the high-technology boom, helping us to regain our position as the strongest, most innovative country in the world.

A high capital gains tax rate hurts the overall collection of government revenue because the economy isn't as expansive as it would otherwise be; the high tax rate also hurts direct receipts. Despite a booming stock market, collections from the capital gains tax have yet to reach the levels they did almost a decade ago, before the levy was boosted by 40%. In fact, a critical reason equities have been so ebullient is precisely that the markets anticipate the Senate's following the lead of the House of Representatives, which voted to reduce the rate from 28% to 19.8%.

MEMORIES

of Patriot missiles colliding with the Iraqi Scuds launched against Israel during the Gulf war have led most Americans to believe that we are protected against

such deadly assaults. We aren't, of course. Foes of an adequate defense system have left us vulnerable to such attacks in the future, be they via nuclear, biological or

chemical weapons (*see* Commentary, p. 33). It won't be too many years before *rogue regimes* will have the missile technology to reach our shores, not to mention bases we still have around the world.

Fortunately, we can quickly and cheaply deploy a defensive shield—the Navy's Upper Tier defense system. The Navy has already spent some \$50 billion on the Aegis project designed to protect our fleets. An additional investment of less than \$3 billion over five years will enable the Aegis to be upgraded to defend us from ballistic missile attacks. The Clinton Administration proposed spending only \$30 million on this program next year. The House and Senate wisely upped the outlay to a more credible \$200 million.

An Aegis upgrade is not only timely and cost-effective but also flexible. Our destroyers and cruisers could carry

these antimissile missiles within range of most threatening areas, including North Korea, Libya, Iraq or Iran. Our ships could be stationed off the coast of the United States to help block incoming enemy projectiles as well.

Incredibly, the Clinton Administration may try to block a fully capable Aegis upgrade by claiming it would violate the 1972 Antiballistic Missile Treaty we signed with the Soviet Union. Arms control theologians are split on that question. President Clinton should show his concern for our safety by emphatically giving a green light to this critical program.

The President could also demonstrate that he recognizes the Cold War is over by scrapping that now-obsolete ABM Treaty. But, if he doesn't have the stomach for that, he has no excuse for leaving us vulnerable now that there is an Aegis option.

OPENING UP POLITICS TO REAL PEOPLE

THE TERM-LIMITS MOVEMENT is alive and well despite a double blow earlier this year when the House of Representatives defeated a constitutional amendment and the Supreme Court barred states from imposing limits on their Washington representatives. Public support for term limits remains unwaveringly strong, regardless of race, party, income or gender. People agree with Thomas Jefferson, who said that the Constitution should have mandated the rotation of elected officeholders.

Term-limit advocates are marshaling their resources to have state legislatures call for a constitutional convention, figuring that if they get close to the requisite 34 states necessary to convene such a gathering, Congress will finally bow to public pressure and pass a constitutional amendment.

(This was the strategy used eight decades ago to pass the amendment for the direct election of U.S. senators.)

Term limits would prevent Washington from again developing the kind of inbred political culture that helped bring on the election explosion last November.



Citizens will continue to confound pots by pushing term limits at the grass roots.

Incumbents have an enormous advantage in getting contributions: Special interests want to give to the "ins" to "gain access" and don't want to offend them by financing challengers. Incumbents use taxpayer money to pay for political mailings, which are dubbed "constituent information letters." Taxpayers also foot the bill for incumbents' local campaign facilities, which are labeled "constituent service offices." Campaign finance laws not only make it difficult for a nonrich opponent to get the necessary resources but also force filings of personal information that are a turnoff to normal citizens. To get power in Congress, one must pile up the requisite seniority, which works against citizens who don't wish to spend a lifetime in politics.

Term limits would not stop people from devoting their lives to public service but would prevent them from turning themselves in a particular office. The great 19th-century statesman Henry Clay, for example, never served more than 11 consecutive years in a single position, yet he was a dominant figure in American political life for 45 years.

WE'RE DEPLETING THIS CRITICAL CAPITAL

Trust—by Francis Fukuyama (The Free Press, \$25). A bedrock strength of the U.S. was noted by Alexis de Tocqueville some 160 years ago—our extraordinary array of voluntary, nonfamily, non-government organizations and institutions such as churches, charities, schools, hospitals and professional societies, as well as activities that today include Little League, Boy Scouts and an uncountable number of social organizations such as the Kiwanis, Elks, Rotary, etc. We may be a nation of individuals, but we've also been one of a wonderful variety of cooperative efforts.

Fukuyama examines this "social capital" of ours and compares it with that of Germany, Japan, China, Italy, South Korea and France. The U.S., Germany and Japan are "high trust" nations; but Italy, France, South



Korea and China have very little civic activity, and trust rarely extends beyond the family. The ability of nonfamily individuals to work together has enabled the U.S., Germany and Japan to create globe-grinding corporations with worldwide brand names. The lack of those trusting traits is why businesses in China and elsewhere can never get beyond family management without the direct help and intervention of a national government.

Alas, the U.S. has been running down its social capital in the last 30 years, as evidenced by the explosion of crime and litigation and by the frightening disintegration of the traditional family. This fascinating, disturbing, well-researched book is timely reading as America begins the daunting but ultimately successful task of rediscovering and renewing its traditional verve, nerve and cooperative can-do spirit. ■

1ST STORY of Level 1 printed in FULL format.

Copyright 1995 Phoenix Newspapers, Inc.
THE ARIZONA REPUBLIC

December 23, 1995 Saturday, Final Chaser

SECTION: VALLEY AND STATE; Pg. B1

LENGTH: 719 words

HEADLINE: FORBES' POLITICAL MESSAGE TAKES HOLD

BYLINE: By Kris Mayes, Staff writer

BODY:

Republican presidential candidate Steve Forbes peered out the window of his chauffeured van in south Chandler and gaped at a motorcyclist weaving through traffic.

"Ooh! He's asking for it, isn't he!" Forbes exclaimed.

It was a revealing moment. Forbes' father was famous for riding motorcycles and throwing lavish parties well into his last years. By contrast, the scion of Malcolm Forbes is a policy wonk whose own tastes run to discussions of Mexico's peso crisis.

Still, he is a man who in a matter of months has managed to worm his way into the political awareness of Arizona voters and is doing very well in the polls.

"People are responding to our message," Forbes observed modestly of the results of his blitz of \$1.3 million in television advertising since Sept. 22.

The Forbes' campaign says it has now pulled ahead of Sen. Bob Dole, R-Kan., by 34.7 percent to 32 percent, with Pat Buchanan following at 7.3 percent and Sen. Phil Gramm, R-Texas, at 7 percent.

In the TV ads, Forbes has sold himself to voters as a tax-code revolutionary who will sweep the corruption out of the IRS by virtually getting rid of it.

He depicts himself as a political outsider, but he is no stranger to the world inhabited by the powerful.

On Thursday, the second day of a two-day swing through Prescott, Tucson and Phoenix by van, Forbes referred to the time, as a 5-year-old, he met Pat Nixon and to another time when, at the age of 9, while tagging along on his father's New Jersey gubernatorial campaign, he met Dwight Eisenhower.

As publisher of Forbes magazine, Forbes has rubbed elbows with U.S. presidents and advised heads of state the world over.

Still, Forbes said, "I never intended to go into elective politics. You've got to do what's right in your own life."

When he was a senior at Princeton University, Forbes grappled with what to do about the war in Vietnam. He was eligible for the draft, and chose to apply for the National Guard, which allowed him to avoid active duty.

Forbes said he figured he would "just take my chances."

"If it worked, fine. If it didn't, fine."

He drew a distinction between his decision to join the National Guard and the actions of Bill Clinton.

"(Clinton) actually got drafted," Forbes said. "He has to live with what he did. That's in his hands, not mine. I'm not going to point a finger at him or anyone else."

On issues other than the flat tax, here's where Forbes stands: He believes in school vouchers, supports some GOP proposals to curb the Endangered Species Act and wants legislation that will enhance private-property rights.

His position on abortion is less congenial to some conservatives. While he was in Tucson, Forbes explained that he is opposed to late-term abortions and supports parental notification.

But he backs the right of a woman to choose in the first trimester, saying that with the advent of "day after" abortion pharmaceuticals, attempting to legislate the issue will be impossible.

In any case, abortion laws will be futile until people's ideas of morality change, Forbes said.

If this week's tour through Arizona by Forbes is any indication, the buttoned-up candidate's ideas may be catching fire with Westerners.

On Thursday, all 40 employees of the Daily Territorial newspaper in Tucson lined up outside their editor's office for a picture-taking session with the candidate.

"He's got good views for a guy with a lot of money," said Scott Lindstrom, a press operator for the paper, adding guardedly, "if he really means it."

On Wednesday, Forbes traveled to Prescott, where he drew about 100 curious and shivering voters to the Yavapai County Courthouse steps to hear his stock message of "growth and opportunity."

While there, he managed to wrangle at least one important political endorsement away from Gramm -- state Sen. Carol Springer, R-Prescott, who announced her support of the millionaire publisher at a fund-raiser Thursday.

Springer, who heads the powerful Senate Appropriations Committee, is the first to openly defect from the Gramm camp to Forbes.

And at a GOP fund-raiser in Tucson on Thursday, the prim conservative was regaled by Pima County Republican Chairman Rex Waite as a "guy like your brother."

"This guy is like the neighbor next door," Waite said.

GRAPHIC: Color photo; Steve Forbes

LANGUAGE: ENGLISH

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1ST STORY of Level 1 printed in FULL format.

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Abortion Report

January 4, 1996

SECTION: SPOTLIGHT STORY

LENGTH: 440 words

HEADLINE: FORBES: FOCUSES ON ECONOMIC ISSUES RATHER THAN ABORTION

BODY:

Campaigning in Waterloo, IA on 1/3, Steve Forbes attempted to "mollify social conservatives" who are "nervous" about his stance on abortion. Forbes said he is focusing on the "moral" aspects of his pro-business agenda. On the campaign trail, he concentrates on economic themes, "rarely mentioning social issues like abortion that are important to many church based conservatives." Forbes: "I think I'm talking about issues of getting America moving ahead. I think those are issues most Americans can agree on." When questioned about his stance on abortion, Forbes said he "favors restrictions on late-term abortions, opposes government financing and favors requiring a parent to be notified before a young woman has an abortion." Forbes differs from his GOP rivals in that he would "go no further in restricting abortions." Some conservatives say that means he supports abortion rights. Forbes disagreed: "I'm not pro-choice. I want to move the issue forward in a way where people can have a change of heart. There hasn't been much movement in 20 years. I'd like to see some genuine movement." Forbes said his conservative pro-business approach is a way of reaching common ground with social conservatives, "who are increasingly important in Republican politics." Meanwhile, he has "not been a regular fixture" on the IA campaign trail, "relying mostly on television ads" to increase his name ID. Some critics said without a campaign organization, "he won't be able to deliver supporters to the more than 2,100 neighborhood meetings next month." Forbes told supporters he'll be "spending more campaign time in key early states" like IA and NH until the primaries: "I will be spending a lot of time in Iowa. It will almost be my state of residence from now until Feb. 12. I think that's why we will be able to make a credible showing, even though others have been organizing in this state for far longer" (Glover, AP, 1/4).

LANGUAGE: ENGLISH

LOAD-DATE: January 4, 1996

LEVEL 1 - 1 OF 2 STORIES

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Forbes Pursues Gold Standard

NEWARK, N.J. (AP)

For Steve Forbes, the road to the White House is at least partially paved with gold.

That's more than a description of campaign strategy for Forbes, the publishing heir who already has spent \$5 million of his own money seeking the GOP presidential nomination.

Forbes sees gold as the foundation upon which the nation can construct financial stability.

He proposes again linking the dollar to gold, a move he says would produce zero inflation, produce low interest and mortgage rates, and eliminate periodic meddling in monetary policy.

But many economists say the gold standard should remain a historical relic.

No other major presidential contender suggests returning to the gold standard. And "sound money" is not an issue that grabs voters' attention as do crime, taxes and welfare.

It has been 99 years since the gold standard peaked as a hot public topic.

William Jennings Bryan won the Democratic nomination for president after his landmark "cross of gold" speech at the party's 1896 convention. Bryan supported putting more money into circulation; Republican William McKinley favored the gold standard. McKinley won.

Now Forbes, 48, has made returning to a form of the gold standard a central plank of his campaign, although his flat-tax proposal gets more publicity.

From 1870 through World War I, most of the world's industrial powers backed their currency with gold, and U.S. citizens could exchange dollars for a fixed amount of gold coin. The domestic exchange ended in 1934, but the United States continued to use gold to settle foreign obligations until 1971.

Forbes formally Malcolm S. Forbes Jr. does not seek a return to the 19th century model, just a discipline that removes Federal Reserve Board discretion in setting the value of the dollar.

"When you leave it to even well-intentioned economists, politics takes over," Forbes said in a recent interview.

Under his plan, the Fed does not even need to own any gold, just set a price say, \$385 an ounce. Should the market price of gold rise above that, the Fed would tighten the money supply by selling bonds from its portfolio and not depositing the money.

With fewer dollars in the economy, their value would rise compared to gold, and the price of gold would fall.

"It's not perfect, but it's better than any other compass around," said Forbes.

Forbes, whose support registers in single digits in presidential polls, has been meeting voters in New Hampshire and Iowa in advance of the primaries and said they are receptive to his proposal.

"They like the idea of getting back low interest rates," he said.

Forbes' emphasis on inflation, however, would cause greater fluctuation in employment and the gross domestic product, according to Eugene White, chairman of the economics department at Rutgers University.

Economists note that inflation has been moderate under Fed chairman Alan Greenspan.

"The monetary authorities have been doing as good a job as any gold standard would have mandated," said Astrid Adolfson, senior economist at MCM MoneyWatch, an economic consulting firm in New York.

Forbes counters that is no guarantee of future success. "The Fed still makes egregious mistakes," Forbes said, claiming that it was too easy on credit in 1993 to counter the Clinton tax increase, and that the subsequent tightening took too long.

David Wyss, research director at the economic consulting firm of DRI-McGraw-Hill in Lexington, Mass., said that while inflation may be flat over the long run, a gold standard "doesn't prevent fluctuations in the real economy, as witness the Depression."

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"A New Conservative Vision"

National Press Club

September 22, 1995

Steve Forbes' Presidential Announcement

It's no secret. I am here today to announce that I am running for President of the United States."

This is, to say the least, an unusual candidacy, and I expect there are a few skeptics in the room.

But, I am throwing my hat into the ring today in full confidence that this campaign for President can and will succeed.

For the last two decades I have been working in one of the most entrepreneurial sectors of American life, magazine publishing. And as any entrepreneur will tell you, the really big changes, the quantum leaps, are made by those who take risks and challenge the conventional wisdom, who do something new and unexpected.

This campaign will talk a lot about what entrepreneurship and the new economy mean to all Americans. I'll be taking a lot of risks -- saying what no other candidate is willing to, or dares. I'll be living what I'm preaching.

Usually candidates come to a race like this after years in either state or federal government. In the past, that may have been a good thing for the country. But no longer. Not today.

I am running because I believe this nation needs someone in the White House who can break the old patterns, someone who can unlock the stranglehold that the political class has on American life. An outsider who knows first hand, as I do, the promise of the new economy, who sees how government is dragging down all Americans and is determined to change it.

I am running because I believe the American people share the same desire for an end of politics as usual. I believe that they share the same vision of an unshackled future-- a future that embraces all the wonderful opportunities in the new economy.

I think a lot of people would agree, there is an empty feeling in this campaign so far. One reason is that none of the other candidates is raising high the banner of economic expansion and opportunity -- like John F. Kennedy did with his promise to "get this country moving again," and like Ronald Reagan did when he cut taxes and regulation and ushered in the longest peacetime expansion in American history.

But there are other reasons for the empty feeling. The fact is, the other candidates, on both sides, are insiders. And we all know that if the insiders had the answers, they would have implemented them by now.

That has been my life.

As so I am not an incrementalist...not a cautious suggester of cautious changes... not a compromiser with the bully state.

I reject the grim notion of the Washington Politicians that America must learn to make do with less -- that the American people have spent too much and now the American people must pay, that the wagon is heavy and crowded and now is the time to start throwing people off. And I reject the equally grim notion that the American people must constantly pay in taxes for the mistakes the politicians make in Washington -- such as a deficit, which despite years of bluster and two of the largest tax hikes in history -- continues to grow.

I see a different reality, an America of vast potential -- greater than anything that has ever been seen before -- waiting to be released. I see an American economy that is the most innovative and productive and technologically advanced in the world -- hamstrung by high taxes and counter-productive regulations.

We are like the greatest marathon runner in the world, but we're trying to compete with two 50-pound cinder blocks chained to our legs. It's time to remove the dead weight of Washington, and let the American economy run free.

It's true that we're already changing.

In the election 1994, the people of America voted resoundingly and decisively against -- against higher taxes, against bigger government, against more intrusive rules and regulations, against assaults on family life, against socialized medicine, against the old way of doing things. And they voted against Bill Clinton, against his ideology and soft ambivalence, against his weak and aimless foreign policy

But in 1996 we can vote for. For a new way of doing things, a new Washington -- for a new America full of energy and dynamism and ready to lead the world.

I believe in my heart that the American family is the soul of this nation, and that if the political class would stop interfering we could build a family-friendly America.

I believe that the time-honored American values of hope, opportunity, family, faith and community are the moral bedrock of our nation -- and every action by Washington should be judged by one and only one criterion -- does it help or hurt those values.

Does it create stronger communities, stronger families? Does it create more opportunity, greater security, greater faith in the

future?

The career politicians here in Washington, unaware of the fantastic growth waiting to burst forth in our economy, spend their time dividing up an ever shrinking pie. They take from one group in order to dole out favors to others, undermining our trust in the basic fairness of the American system and causing division, envy and bitterness. In order to get their way, they libel the good American people with accusations of racism, sexism and selfishness. And then they wonder why politics has turned into such a nasty business.

And they do this all in the guise of compassion. It reminds me of that old saying that the ten most frightening words in the English language are: "I'm from the Government and I'm here to help you."

America needs to take a new road, one toward an expansive future that is bigger and better than our past. That's why I'm proposing today, and will be talking about throughout my campaign, a liberation movement to take power away from Washington and put it in the hands of the people. A "Boston Tea Party," if you will, that puts an end to the taxing and spending party in Washington, DC. I mean to free the mighty American economy from political repression.

The first element is dramatic pro-growth tax cuts.

I'm not talking "revenue neutral" fiddling with the tax code, the usual game in Washington that pretends to cut some taxes while raising others. And I'm not talking about fiddling around the "margins," cutting taxes that only help the well-to-do.

I am talking about across the board tax cuts that are deep and wide and permanent, that reach down to all Americans and get the suffocating weight of the IRS off their backs.

Start by scrapping the tax code. Don't fiddle with it. Junk it. Throw it out. Bury it. Replace it with a pro-growth, pro-family tax cut that lowers tax rates to 17 percent across the board and expands exemptions for individuals and children so that a family of four would pay no taxes on the first \$36,000 of income.

Not one cent to the IRS on the first \$36,000. Anything over that would be taxed at a flat, fair 17 percent.

The flat tax would be simple. You could fill it out on a postcard. It would be honest. It would eliminate the principal source of political corruption in Washington. It would be fair. Millions of people would be off the federal income tax rolls.

There would be no tax on Social Security. No tax on pensions. No tax on personal savings. It would zero out capital gains taxes. It would set off a boom by letting people keep more of what they earn and by lowering barriers to risk taking.

I will underline here this distinction between my proposal and those floated by other candidates in this political season:

I am straight forwardly calling for a tax cut to expand the economy and make everyone better off.

The old-style Washington politicians hide behind the deficit -- they give us shell games rather than tax cuts because their one principle is never, ever take money from Washington. As we all know, the deficit was the prime rationale for the last two tax hikes -- two of the largest tax hikes in American history -- which put the country on a down-ward spiral, destroying growth and -- guess what -- expanding the deficit.

I am proposing real tax cuts because I believe that growth is the key that will unlock the deficit prison.

Will I cut the budget? You bet. Commerce, Energy, Education, HUD, will be stripped of all but their essential functions. A whole alphabet soup of agencies will be eliminated. But cutting alone won't solve our problems.

The fact is, I don't just want less government -- I want better government. The way it is now, good men and good women come to Washington and get caught in a culture of corruption. They enter a place whose rules and realities almost force them to put their own interests before the country's. And they wind up becoming the very people they come here to fight.

I want to change the culture of Washington by changing the rules of the game. And to change the rules of the game, you have to do two things: You have to take away the politicians' power to manipulate the tax code, to trade tax loopholes for re-election money. And you have to limit their terms.

Do those things, and you change the dynamic completely. Do those things and you'll change Washington forever. Do those things, and the people will get their government back again.

And as President, the 17 percent flat tax will be only the beginning. I will continue to cut taxes from the bottom up, expanding family exemptions dollar for dollar for every cut in the budget. That will make it dramatic for all America to see -- that every dollar Congress chooses to spend on a pet project is coming right out of America's families pockets.

So I want not only a flat tax, but a flat tax that is a tax cut. And let me caution my party that we must beware the 'ER' candidates -- those who put the letters 'er' at the end of every word, like "I want a tax that's flatter, fairer, simpler." The 'ER' candidates will end up putting our country in the Emergency Room.

Another pillar of a family-friendly policy is sound money. That is, low mortgage rates.

The house your parents or grandparents bought in the 1950's or '60s was probably bought with a 4 1/2 percent mortgage. But in

the mid-1960s, the Washington politicians took control of our money and started manipulating it for their own ends. They sat here in Washington, pushed their levers and buttons, and turned the everyday economic reality from "Ozzie and Harriet" to "Nightmare on Elm Street."

The legacy of their power grab is the historically high interest rates that make families today slaves to their mortgages. High taxes and high mortgage rates have put families on a treadmill, and the treadmill is winning. This is why two family incomes today don't seem to do the job that one did in times past.

The answer: We must take our money out of the hands of the politicians. We can bring back 4 and 1/2 percent mortgages, lower interest rates, and give the economy a boost. As we did throughout our nation's history until the late 60's, we must tie the value of the dollar to a fixed measure, such as gold, so that a dollar today will be worth a dollar tomorrow.

Imagine what it would be like if you woke up tomorrow morning with a 17% flat tax that exempted the first \$36,000 of income and a fixed long term mortgage of 4 1/2 percent. Imagine what that would do for family life.

We would see a renaissance the likes of which has never been seen before. Families could step off the tax treadmill; wage earners could relax a little, save more easily; parents would have more time to spend with their children and with each other; they would have more time to devote where it belongs -- to the home and hearth, where all true value lies.

It is only by restoring wholeness to our nation's families that wholeness will be returned to our nation.

It is only by a serious commitment to family values -- not just of rhetoric, but of resources -- that the moral and spiritual decline that so troubles us today will be arrested.

The family is the irreducible foundation of any civil, just and humane society and cannot be replaced -- and the liberal, ideological attempts to do so have disastrously ripped our social fabric.

Everyone talks about values -- this is a campaign after all -- but let me tell you how I see the values issue.

Values mean returning to the inspiration of our forefathers that all of us are created equal.

Values mean respecting parents enough to return control of the schools to them. That means giving parents the means to educate their children in the school of their choice.

Values mean having a government that keeps its promises, like on Social Security and like working on a plan to provide for younger workers who now know they will get nothing.

Values mean giving opportunity to all people by removing the red tape and taxes that suffocate our cities.

Values mean welfare programs that help people rather than destroy them.

Values mean real prison sentences for violent crimes.

Values also mean refinding our moral compass in this world as a leader and light among nations, a bastion of freedom, as strong as we are restrained. We need a President who has a U.S., not a U.N. foreign policy, one who understands that the wise and judicious use of American power is now, and has been, the best hope of the world. This world is still a dangerous place; peace through strength must still be our watchword.

At their most fundamental, I truly believe that values and economics are not separate issues -- they are the same issue. A flat tax will restore honesty to the tax code and give the people back their government. In such an atmosphere -- so different from the one we have now -- traditional American values will flourish. Thrift, hard work, and charity; individual responsibility and working towards shared goals; commitment to family and community; faith in the future. These will describe not just the America we want but the America we actually have.

Let us sew up our nation's tattered social fabric. Let's bind up the wounds caused by three decades of mistaken social policy that has undermined America's families. Let us alleviate the anxieties of parents, and broaden the future for our children; bring harmony and hope back to our lives, and return to the truths that have guided this country so well for so long.

The election before us is not just any election. We stand at the threshold of a new era of possibility. The next President's term will end on the cusp of a new century.

A new century that demands new thinking, new perspectives, the imagination and creativity of all the American people.

I am an optimist.

But I am well aware of the pitfalls of a national campaign. You don't give up the security and freedom of private life to go into the meatgrinder of presidential politics in the modern age, unless you have a serious purpose.

I have one. I intend to offer the American People something they haven't been offered so far: a vision and a voice, a true vision and an honest voice.

For the other candidates talk about a flat tax -- but I mean it, and I'll do it. They talk about term limits -- but I mean it, and I'll do it. They don't even dream about making our currency sound and stable, and never mind talking about it. But I'll talk about it, and I

mean it, and I'll do it. The other candidates talk about changing the culture of Washington. But they are the culture of Washington.

I'm the one who will change Washington. Because I'm the one who means it.

We must re-discover and revitalize the American experiment, the essence of which is giving individuals the opportunity to discover and develop their God-given talents. In America, extraordinary deeds are done when seemingly ordinary people are allowed and encouraged to take responsibility for themselves, for their families and for their communities.

If the American experiment is renewed and re-energized, we will astound ourselves and the world with our opportunities and our achievements. The people of the world will ask themselves and their governments, "If America can do it, why can't we?" By following our example and our principles, they will.

And I'll leave you with a final thought. Fifteen years ago, in 1980, the candidacy of a man named Ronald Reagan was considered right here, at this great Press Club. And his prospects seemed so bad that when you listed candidates and their support, he got an asterisk. That's pretty much where I'm starting. But, like Reagan, that's not where I intend to finish.

I thank you all very much. And now, if you have any questions.

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Forbes Issues Statement on Bosnia
November 22, 1995

Today, Steve Forbes issued the following statement:

"While the settlement is applaudable and one hopes lasting, it would still be a murderous mistake to send American ground forces as peacekeepers.

If the settlement is real, such a presence will not be necessary.

Putting American troops in Bosnia would set the stage for another Lebanon or Somalia. Even worse, this debacle may set in motion forces that could destroy NATO and form xenophobic nationalist forces in Russia.

I call upon Congress and Republican Congressional leaders to fight such a deployment with every ounce of energy they have. It must be blocked."
